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Northwest
Territories Industry, Tourism and Investment

ECONOMIC REVIEW NORTHWEST TERRITORIES 2009



MINING
OIL AND GAS
FISHERIES
FURS
TOURISM
MANUFACTURING
CONSTRUCTION
ARTS AND CRAFTS
TRANSPORTATION
SERVICES
RETAIL
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GROW WITH US

Are you looking for profitable investments in the Northwest Territories (NWT)? Do you want to start or expand a business? Is your community looking for new development opportunities? You will find some valuable information in this year's economic review and outlook.



Honourable Robert R. McLeod

Minister of Industry, Tourism and Investment

Government of the Northwest Territories

We have been blessed with a vast wealth of mineral resources and some of the most spectacular natural landscapes you will find anywhere in the world. It is this natural wealth that is our competitive advantage and we use this wealth to provide economic benefits for our residents.

Thanks to record commodity prices, the economy of the NWT has outpaced the rest of Canada for a number of years. However, the world economic downturn over 2008 and 2009 significantly reduced commodity prices, and export sales. While the economy still benefited from record prices in 2008, we can expect a decline in economic performance and investment over 2009. However, we can be expected to weather the economic recession better than most regions of Canada, and there are encouraging signs for a recovery, with most commodities showing renewed strength.

Over the coming years, I hope to see a broadening of our economic base, and the opening of new regions to development. Hopefully, this will include approval of the Mackenzie Gas Project, renewed interest in oil development, new mining investments and an expansion of tourism.

While we have little control over world markets, we can work to ensure that the NWT is positioned to benefit fully from the recovery. We have to address any weakening of the NWT's competitive position, sustain and promote investor and business confidence, prioritize public investment in programmes which improve the long-term capacity of the economy, and finally, to make further progress on economic diversity.

Looking slightly further ahead, I have no doubt that our economy is in good health and that with the right approach, we can pass through these difficulties. I am confident that in the medium term, as the global economic environment recovers, we can return to economic growth which will benefit us all, in all regions of the Northwest Territories.

LOCAL BUSINESS CONTACTS

Department community business and economic staff are the first line of contact for the public. While the following table is current as of September, 2009, additional information can be found on the Departmental web site at: <http://www.itl.gov.nt.ca/>

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Updated: September 8, 2009

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CHAPTER 1

INTRODUCTION TO THE NWT

Since its creation in 1999 the Northwest Territories (NWT) has undergone unprecedented growth. It has the highest level of incomes in Canada, record corporate profits and rapid economic growth. The current Gross Domestic Product (GDP) of the NWT, measured in current dollars, is 15% higher than the province of Prince Edward Island, which has three times the population.

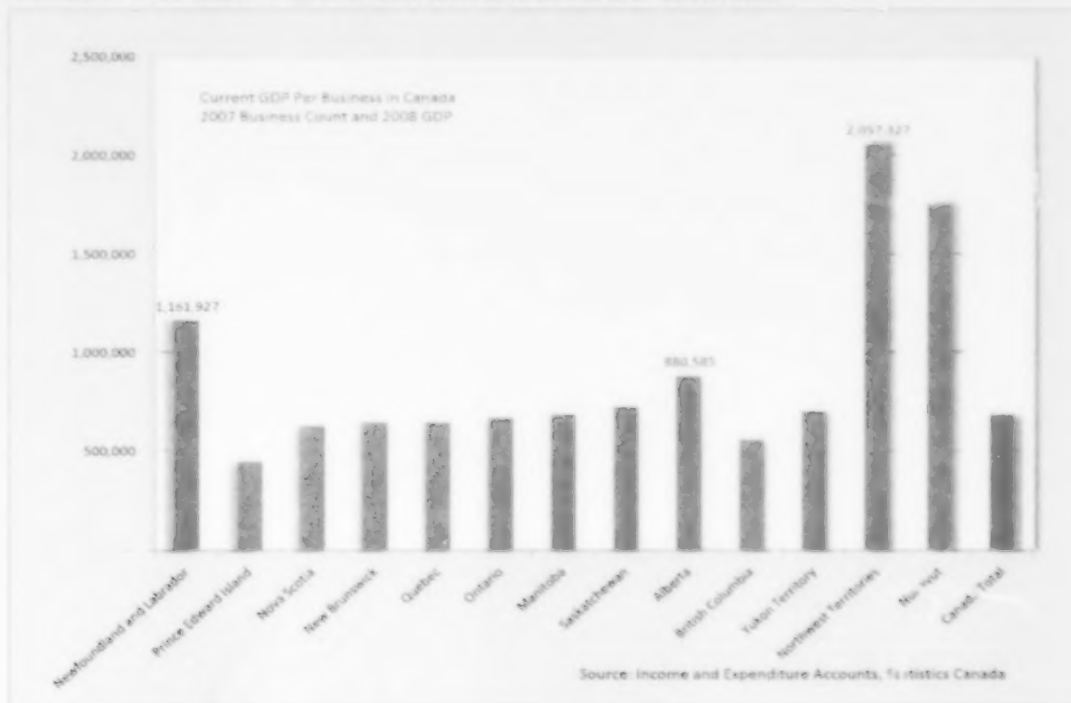
Since 1999 there has been an explosion of investment and mineral production in the NWT. The Territory is now one of the world's largest exporters of diamonds. Major new investments are planned over the next five years, including up to \$16.2 billion in development of the Mackenzie gas project, plus another \$2-3 billion in new mine development.

Mining has helped the NWT achieve the highest average incomes in Canada, and the highest GDP per business in Canada. As shown in Chart 1.1, the GDP per business in the NWT is more than 2 million for every business;

well over twice Alberta's average and three times the national average. This indicates significant room for business development and expansion, even without future growth.

While the NWT's economic growth set record levels in 2008, future growth will face some significant challenges. The world economic downturn has impacted demand for diamonds, our primary export. Oil prices have recovered, but natural gas remains low.

CHART 1.1: GDP PER BUSINESS ACROSS CANADA



Future resource investment also faces a number of substantial and unique challenges. Remoteness from markets, land access and a complex regulatory environment all work against project development. In many cases, the necessary infrastructure, business services and human resources are in short supply.

Recent growth also masks weaknesses in the economy. Economic growth is significantly dependent upon diamond development and sales, and benefits have been largely concentrated in the North Slave Region.

The high level of GDP per business indicates that there are considerable leakages of sales to southern Canada. In general, most secondary and service industries have not kept pace with GDP growth, and there is significant opportunity for new investment.

There is also a shortage of labour in the NWT. This has tended to limit smaller trade and service businesses, which are essential to diversification and maximizing resource benefits.

Rapid growth has also created capacity issues. Shortages exist for many services and trades, labour, accommodations and even retail space.

The next section of the report looks at broad measures of economic performance, including a detailed review of the GDP.



ECONOMIC PERFORMANCE

While the NWT has not been immune from the global economic downturn, it remains an economic star within Canada. Employment, incomes, per capita GDP and most other indicators remain positive. The NWT remains a storehouse of resources in demand, including gold, rare earth metals, oil, natural gas, uranium and lead/zinc.

The GDP is the total market value of all goods and services produced within an economy over a specified period of time. The GDP numbers are reported in two different forms - the current dollar GDP and the constant dollar GDP. The current dollar GDP uses current day values for the dollar. That makes comparing different time frames more difficult due to inflation. The constant dollar GDP accounts for changing prices by using a "Chained" index.

Chart 1.2 shows GDP growth in current dollars for Canada and the NWT since 1999. While NWT growth varies considerably, the overall pattern has significantly exceeded Canadian performance. The economy has

grown from \$2.3 billion in 1999 to over \$5.4 billion in 2008; an increase of over 3 billion or 136%. The average annual NWT growth rate exceeded 10% per year.

With the development of new mining properties, the NWT's economy could increase by three quarters of a billion dollars over the next five years. As the economy continues to mature, we can also expect an expansion of local business and the capture of further benefits, even without substantial new mineral investment.

CHART 1.2: ANNUAL GDP GROWTH RATES, NWT AND CANADA

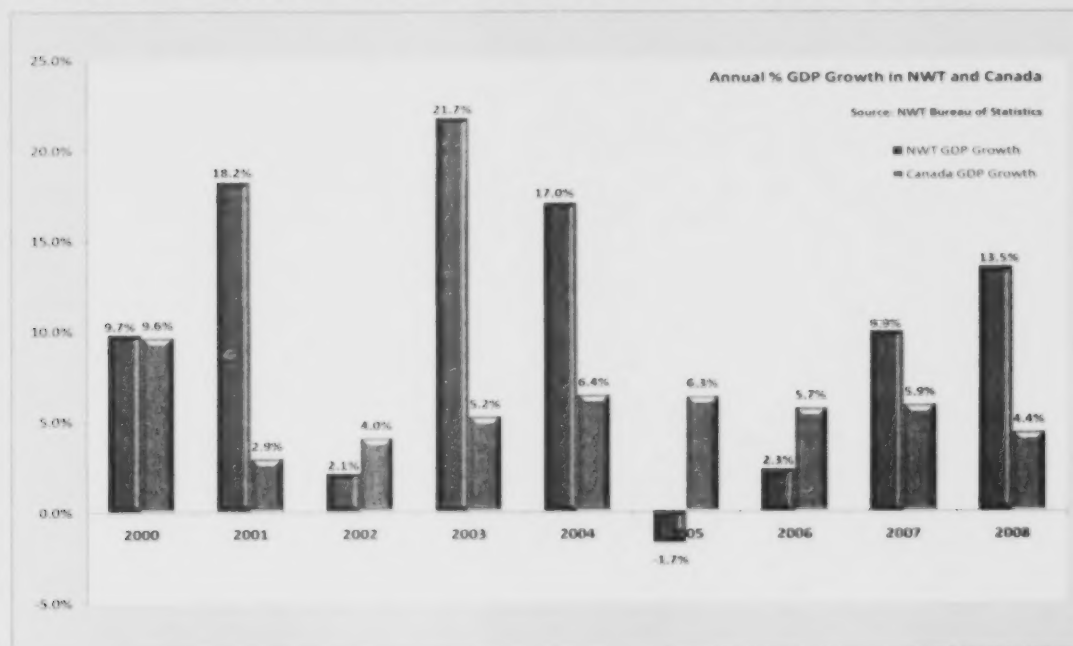


Chart 1.3 plots GDP trends over the past decade; the chart shows “chained” and “current” GDP trends. While a technical term, current dollars are what we use everyday. We get paid in current dollars and we buy goods in current dollars.

By comparison, “chained” GDP measures hold prices constant. This means the GDP can only increase from increased production. As such, it is a useful measure of productivity and productive capacity.

As shown in Chart 1.3, growth in current dollars has been far more significant than in “chained 2002” dollars. Clearly, the NWT benefited significantly from the commodity price increases over 2007-2008. For example, while oil production was declining over this

period, prices were increasing to over USD \$150 per barrel.

GDP can also be measured by income. Since 1999 corporate profits have increased by \$1.3 billion while wages and sales have increased by \$1 billion. As a percent of GDP, corporate profits account for 1/3. This is the second highest in Canada, but close to other growth economies like Alberta, Saskatchewan and Newfoundland, which have also benefited from record oil prices.

CHART 1.3: NWT GDP TRENDS

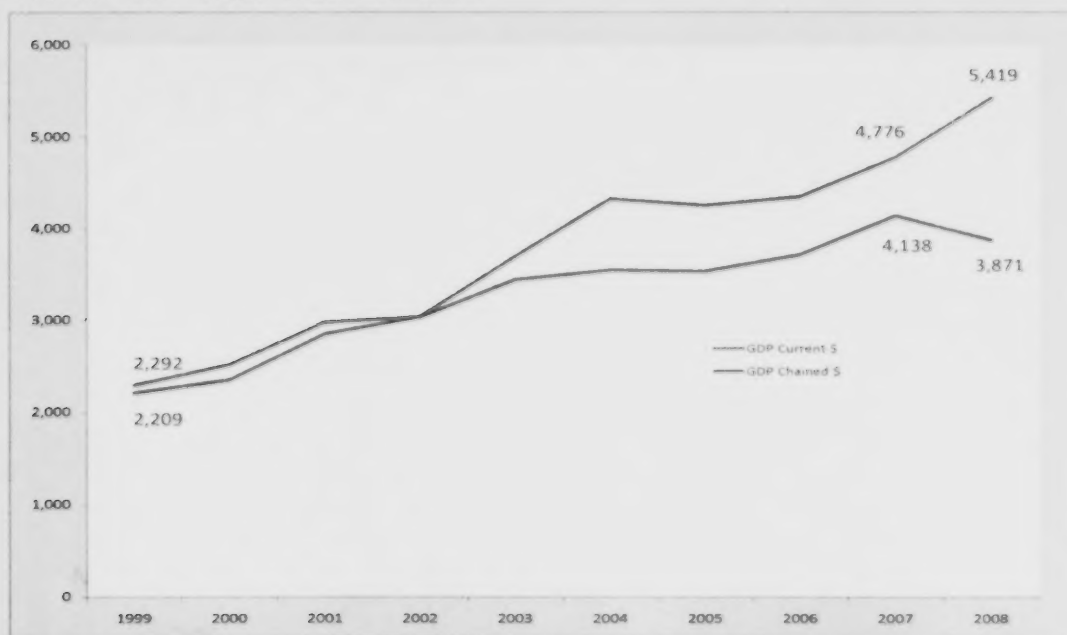


Chart 1.4 plots current GDP on a "per capita" basis across Canada; this is simply calculated by dividing the "current GDP" by the current "population". Per capita GDP is a good measure of wealth and of an economy's growth potential.

Per capita GDP in the NWT is \$125,000 for every man, woman and child. This is over twice the national average of \$48,100.

CHART 1.4: PER CAPITA GDP IN CANADA 2008

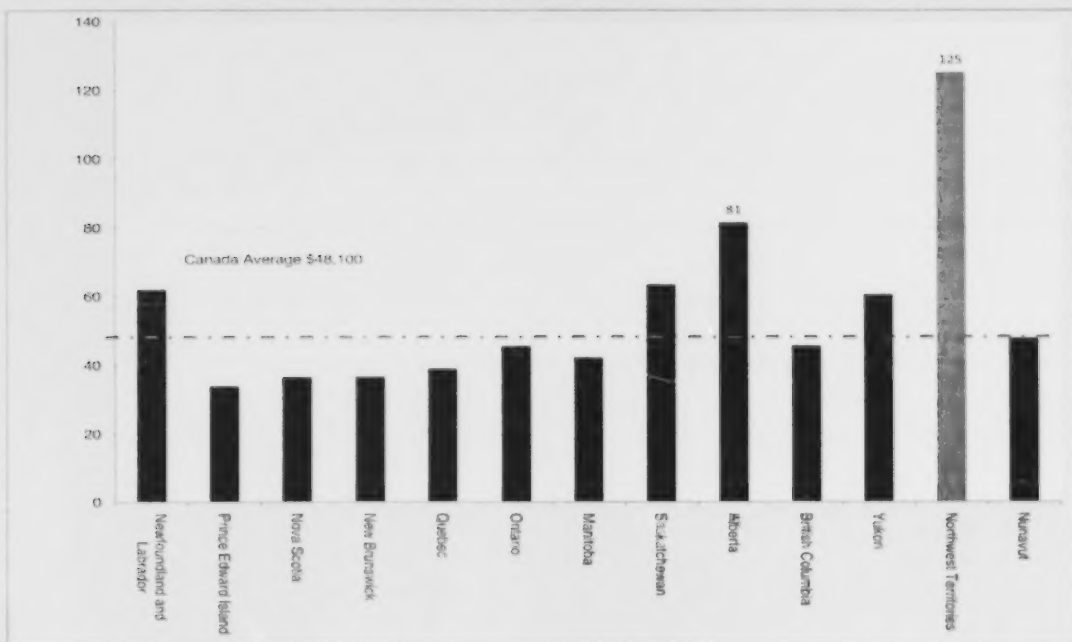


CHART 1.5: TRADE BALANCE ((EXPORTS) - (IMPORTS))



Trade Balance

Just like Canada or the United States, each province or territory has a trade balance. A positive trade balance indicates economic strength and savings for the future.

The NWT's trade balance is plotted in Chart 1.5. As shown, the NWT started off with a negative trade balance between 1999 and 2003. During this period significant funds were being invested in the development of Diavik Diamond Mine. Most of these goods, and many of the services, were imported from southern Canada. This all changed in 2003 when Diavik began production.

This was followed by a similar downturn in the trade balance over 2006/07 with the development of Snap Lake Mine.

However, since 1999, the NWT has been a significant contributor to Canada, with a positive trade balance exceeding \$800 million.

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CHAPTER 2

INDUSTRY SECTORS

This section summarizes the key industry sectors in the NWT economy. It presents a current snapshot of each industry during the fiscal year 2008-2009, focusing on relevant trends and economic activities

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2. **OIL AND GAS - PAGE 16**
3. **FISHERIES - PAGE 20**
4. **FURS - PAGE 24**
5. **TOURISM - PAGE 28**
6. **MANUFACTURING - PAGE 32**
7. **CONSTRUCTION - PAGE 35**
8. **ARTS AND CRAFTS - PAGE 39**
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SERVICES - PAGE 45**
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1. MINING

Mineral exploration provides significant direct employment (albeit seasonal), and is critical to many service and retail sector businesses in the NWT. More importantly, without mineral exploration, future mines will not be developed, and mining will not be sustainable. As it is, geological risk is inherently high: many properties are remote, services and infrastructure are limited, and extreme conditions compound already significant challenges. Vast regions of the north are presently closed to exploration and additional withdrawals are planned.

Mining - A Major Economic Force

Mining is the major economic sector in the NWT and it is a significant source of employment, creating over 2,000 direct jobs. Industry wages and salaries are the highest in Canada.

Aside from direct benefits, the industry generates significant employment in the transportation, services, trade and construction sectors. While the NWT is a major diamond producer, the overall potential of mining remains largely untapped, with only a small portion of our vast potential being developed.

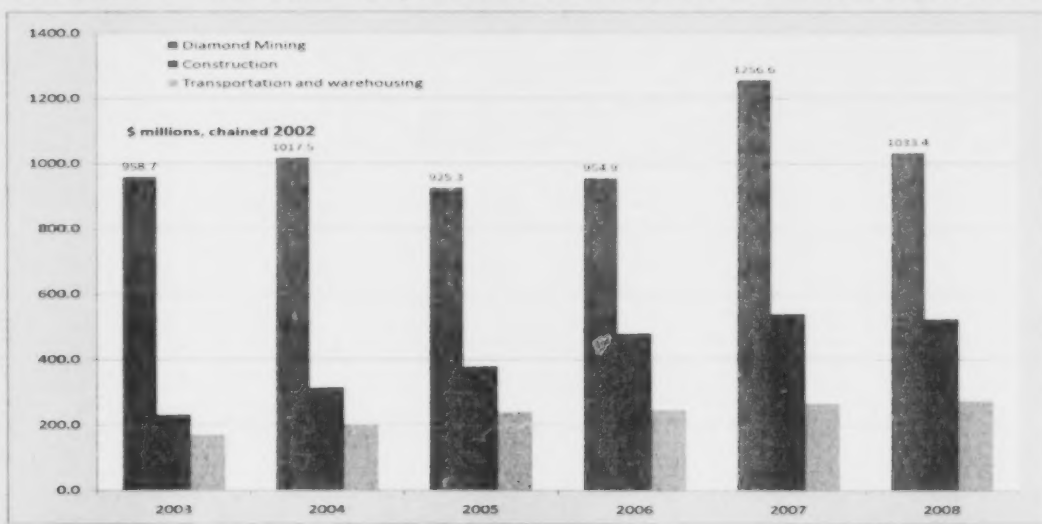
Unlike other sectors of the economy, little or no government incentives or financial support is required. However, the industry does require consistency in the application of regulations and environmental review, stability in land access and tenure processes, a modern geological database, and a positive investment climate.

Successful exploration projects are critical in terms of future potential, since existing mines will close at some point in the future. Encouraging significant exploration creates a sustainable mining industry.

Chart 1.1 highlights the overall impact of mining on the economy, as well as on construction and transportation. Diamond mining is the largest economic activity in the NWT, accounting for over \$1 billion of the GDP. Industry growth has had similar positive impacts on transportation and construction.

However, the impact of the recent economic recession will affect industry sales and employment. In an effort to remain in operation, all mines have scaled back operations and employment.

CHART 1.1: GDP - MINING, CONSTRUCTION AND TRANSPORTATION

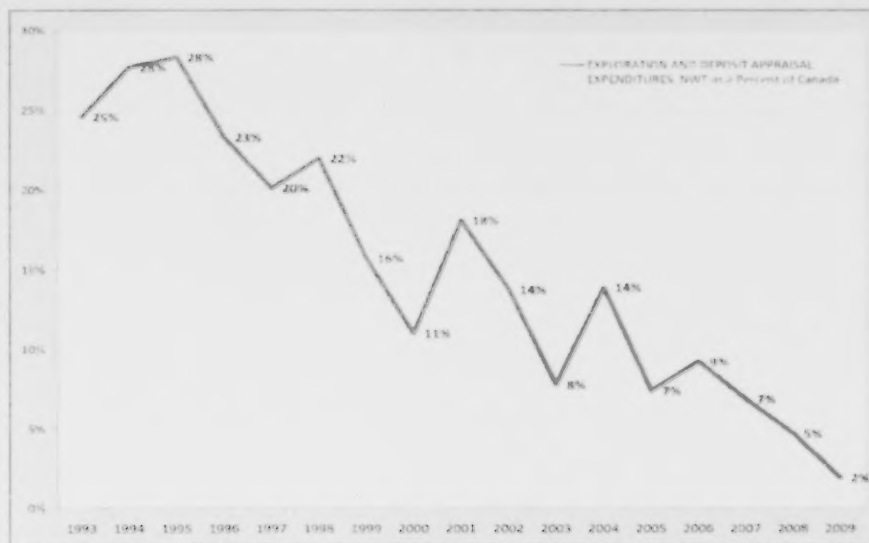


Currently the NWT has three diamond and one tungsten mine; 96% of the value of production originates with diamonds. Diversification of the industry and its future are dependent upon exploration and the identification of new resources. However, planned expenditures for

2009 is under \$30 million and expected to be only 2% of the Canadian total.

While this decline is partly linked to commodity prices and capital markets, the decline has been far greater in the NWT than in other regions of Canada.

CHART 1.2: NWT EXPLORATION AS A PERCENTAGE OF CANADA'S TOTAL



Commodity Strength

Chart 1.3 plots gold prices in Canadian dollars. They are current as of July, 2009. As shown, gold shows strength. In fact, gold is at record levels and has also benefited from the depreciation of the Canadian dollar in comparison to US dollar market prices. When the NWT's gold mines closed, gold was at \$400 or less per ounce.

CHART 1.3: GOLD PRICES - CANADIAN \$ PER OUNCE

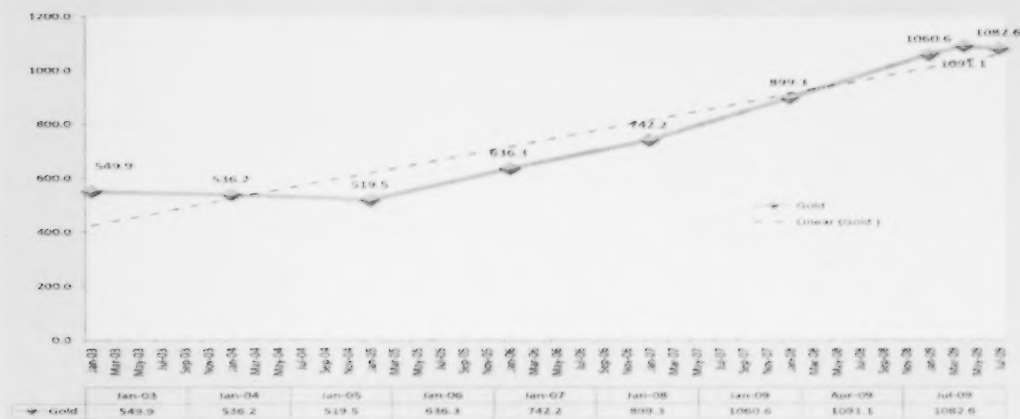
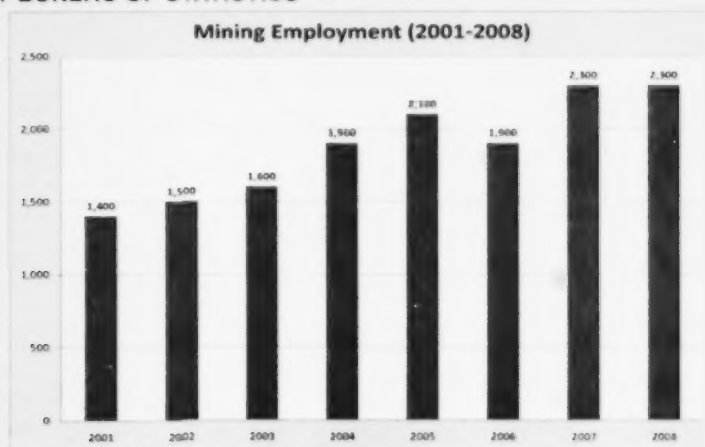


CHART 1.4: ESTIMATED MINING EMPLOYMENT
SOURCE: NWT BUREAU OF STATISTICS



Mining has been a major source of employment growth since 1999. As shown in Chart 1.4, in 2008 the diamond mines accounted for a monthly average of roughly 2,300 directly related jobs in the NWT, approximately 10% of all jobs in the NWT.

TABLE 1.1: ESTIMATED EXPLORATION EXPENDITURES BY MINERAL 2009, SOURCE: NATURAL RESOURCES CANADA

Province	Base Metals (\$ millions)	Precious Metals (\$ millions)	Iron (\$ millions)	Uranium (\$ millions)	Other metals (\$ millions)	Nonmetals (excluding diamond) (\$ millions)	Diamond (\$ millions)	Coal (\$ millions)	Total (\$ millions)	Percent of Canada
Newfoundland and Labrador	20.2	6.7	16.5	13.2	6.6	7.7	-	-	70.9	5%
Nova Scotia	1.2	4.5	-	-	0.3	0.7	-	7	13.7	1%
New Brunswick	7.7	7	-	1.2	9.2	0.1	-	-	25.3	2%
Quebec	69.6	106.9	15.2	48.3	11.4	1.5	2.6	-	255.5	17%
Ontario	115.9	260.4	2	3.8	13.4	12.2	13.5	-	421.2	28%
Manitoba	31.6	38.7	-	0.9	1.3	4.9	-	-	77.4	5%
Saskatchewan	0.7	3.8	-	102.1	6.4	126	4.9	-	243.9	16%
Alberta	-	-	-	0.4	-	0.4	2.9	4.3	8.1	1%
British Columbia	39.7	59.4	2.5	0.6	26.8	3	0.1	25.3	157.3	11%
Yukon	11.6	10.8	-	0.3	2.5	-	-	-	25.3	2%
Northwest Territories	5	4.8	-	3.4	3.1	-	12.1	-	28.4	2%
Nunavut	18.1	76.1	30	32.7	-	0.3	11	-	168.2	11%
Canada	321.5	579	66.2	207	80.8	156.8	47	36.6	1495	100%

Investment represents business perceptions of future potential. If mining companies see an opportunity in a region, they start by investing in exploration, which progresses through a number of stages. If successful, the exploration project may evolve into added investment and development of a mine. As shown in Table 1.1,

NWT exploration is low compared to provinces with similar mineral potential. For example, \$76 million is being invested in Nunavut precious metals exploration, compared to only \$5 million in the NWT. While over \$207 million is being invested in uranium exploration in Canada, only \$3 million is being invested in the NWT.

2. OIL AND GAS

Oil and gas has long been a commercial force within the NWT economy. Norman Wells, in particular, is one of Canada's largest oil fields. First developed during World War II, the field still exports over \$500 million in oil every year. Aside from the Mackenzie Natural Gas Project, there is renewed interest in Beaufort Oil. Over the past few years two major oil companies have invested billions in securing exploration opportunities to find Arctic Oil.

Oil and Gas - A Major Economic Force

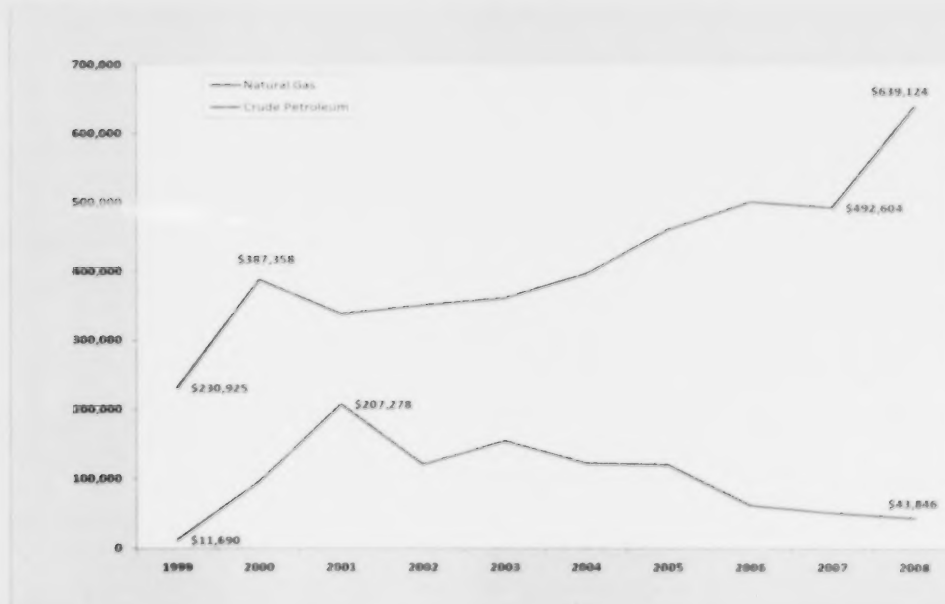
As highlighted in Chart 2.1, oil and natural gas sales have charted different courses since 1999. After peaking at over \$200 million in 2001, natural gas sales have declined to under \$50 million. On the other hand, oil has benefited significantly from price gains, and sales exceeded \$600 million in 2008.

Current low natural gas sales reflect a lack of new investment in exploration and field development, especially in the southern NWT. As production from existing properties has declined, no replacement wells have come online. Weak natural gas prices have also contributed to overall sales declines.

Since 1999 the NWT has produced over 6 billion cubic metres of natural gas. Approximately 20% of this output is used for local needs, mainly industry needs at Norman Wells and local heating/electrical generation in Inuvik.

Oil, on the other hand, has benefited significantly from rising prices. Record prices over the first half of 2008 drove the NWT sales to over \$630 million. While prices declined significantly over 2008/09, they remain relatively high, and the outlook remains positive.

CHART 2.1: VALUE OF OIL AND NATURAL GAS PRODUCTION (\$'000)



Record Bids for Oil Exploration

As shown in Chart 2.2, the NWT is once again seeing record bids for oil exploration rights in the Beaufort. British Petroleum's (BP) record \$1.18-billion bid to secure a single exploration licence in the Beaufort Sea points to a 1970s-like oil rush. This follows last years expenditure commitment of \$585 million by Imperial Oil Limited and Exxon Mobil Corporation.

Imperial and Exxon are preparing to conduct 3-D seismic work in the region between August and the end of September. BP's plans are under development.

While development of oil requires significant infrastructure investment, it can be "tankered" out of the Beaufort.

CHART 2.2: WORK BID COMMITMENTS IN THE BEAUFORT



Commodity Strength

As shown in Chart 2.3, oil prices have shown significant strength over 2009, recovering from the downturn in 2008. Prices are shown in Canadian dollars.

Chart 2.4 shows natural gas prices since 2000. Current gas prices, even in Canadian dollars, have declined significantly. Market experts continue to expect weak prices for natural gas as new unconventional gas discoveries, such as shale, are developed. In addition,

liquefied natural gas (LNG) from offshore projects in Australia, Saudi Arabia and Qatar are being shipped to North America; the Canaport LNG terminal in New Brunswick has the capacity to import one billion cubic feet per day of LNG.

CHART 2.3: OIL PRICES PER BARREL - CANADIAN \$

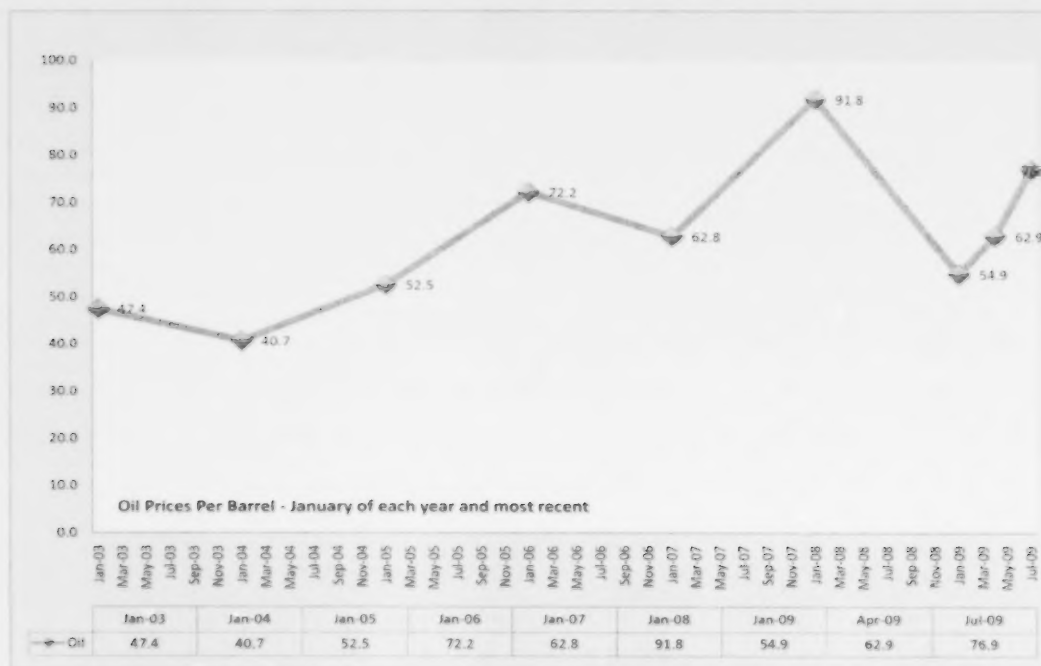
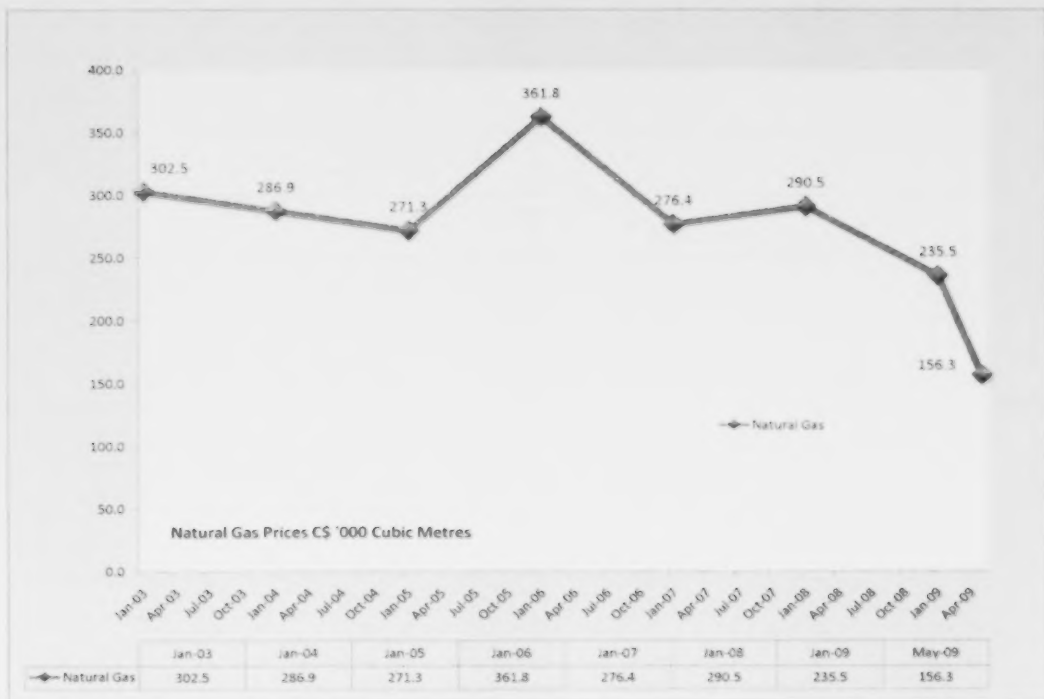


CHART 2.4: NATURAL GAS PRICES - CANADIAN \$ PER CUBIC METRE



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liquefied natural gas (LNG) from offshore projects in Australia, Saudi Arabia and Qatar are being shipped to North America; the Canaport LNG terminal in New Brunswick has the capacity to import one billion cubic feet per day of LNG.

CHART 2.3: OIL PRICES PER BARREL - CANADIAN \$

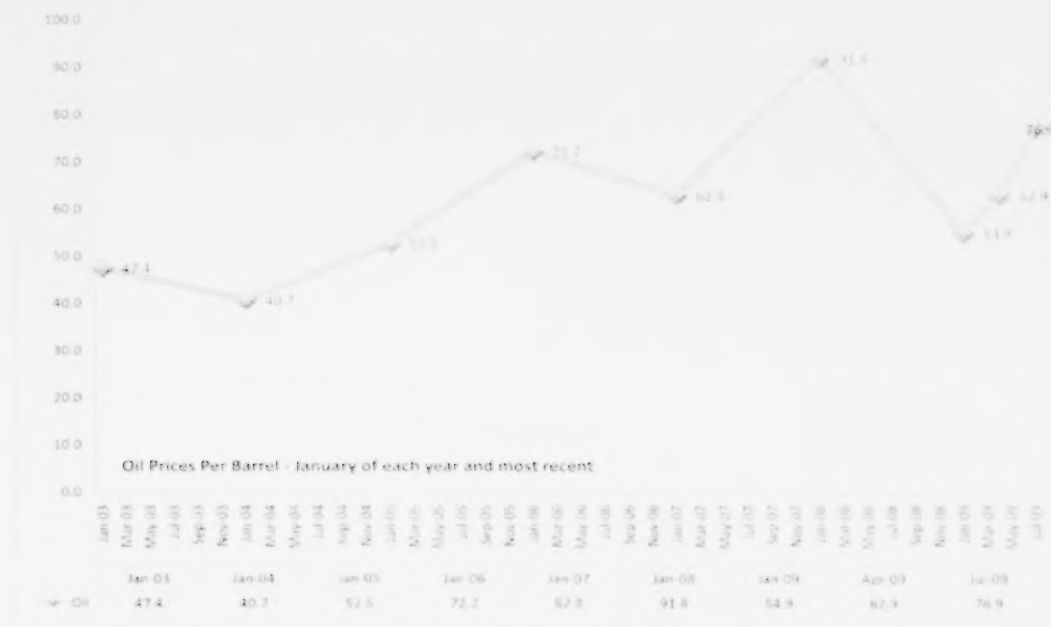


CHART 2.4: NATURAL GAS PRICES - CANADIAN \$ PER CUBIC METRE



3. FISHERY

Fish stocks in the NWT are harvested for subsistence, commercial and recreational use. Fisheries are particularly important to residents of smaller communities in the NWT where the subsistence catch makes a crucial contribution to a healthy diet, and commercial harvests offer an opportunity to diversify exports and incomes. Bullocks restaurant in Yellowknife is considered one of Canada's best fish and chip restaurants.

Freshwater Fishing within the Economy

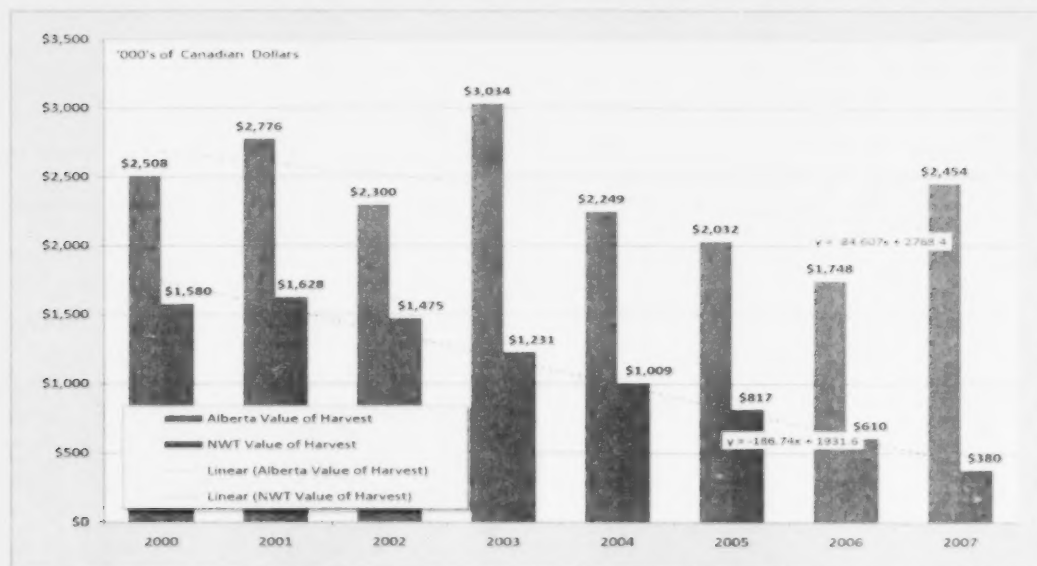
NWT freshwater fisheries support subsistence/ domestic use, sport fishing and commercial fishing. Many aboriginal families partake in subsistence fishing for food and for sport. Sport fishing is very popular with many residents of the NWT and is a major tourist attraction.

There is one well-established commercial freshwater fishery in the Northwest Territories - the Great Slave Lake fishery. Production of commercial freshwater fish is estimated at about 155 tons per year with a value under \$400,000. However, current values are down significantly from previous years, when the harvest exceeded \$1.6 million.

Chart 3.1 compares the value of the NWT commercial fishery to Alberta's. While the composition of each region's fishery is similar, Alberta has significantly outperformed the NWT. At the beginning of 2000, sales from Alberta were 60% higher than the NWT; by 2006 they were six times higher.

The NWT supplies about 1% of Canadian fresh water fish. Whitefish is commercially harvested from Great Slave Lake and makes up 81% of the lake's total harvest. Unlike Alberta, the whitefish harvest has fallen significantly in recent years. Other provinces also harvest significant amounts of perch and pickerel, which command higher prices (up to 2-3 times the price of whitefish).

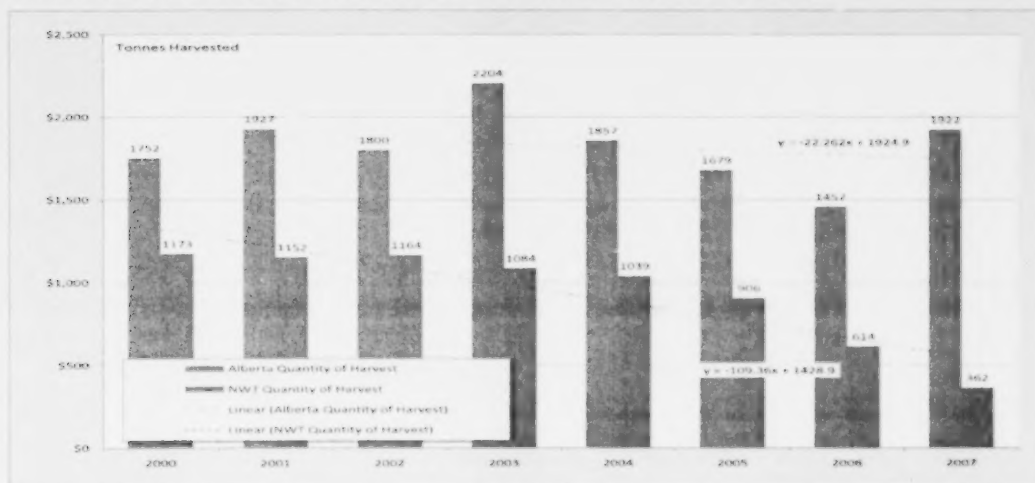
CHART 3.1: VALUE OF THE NWT AND ALBERTA HARVEST (\$'000'S)



Harvest

As highlighted in chart 3.2, NWT harvests have been falling significantly compared to Alberta, which actually increased over 2007.

CHART 3.2: TONNES HARVESTED NWT AND ALBERTA



Fish Prices

Chart 3.3 shows the average kilogram price of fish paid to fishers in Canada, 2007. Yellow Pickerel and Perch are among the highest value, two to three times the value of Whitefish. Ontario harvests 13,700 tonnes while Manitoba harvests 5,800 tonnes of Pickerel; the NWT harvests 29 tonnes.

CHART 3.3: DISTRIBUTION OF HARVEST BY SPECIES AND PRICE

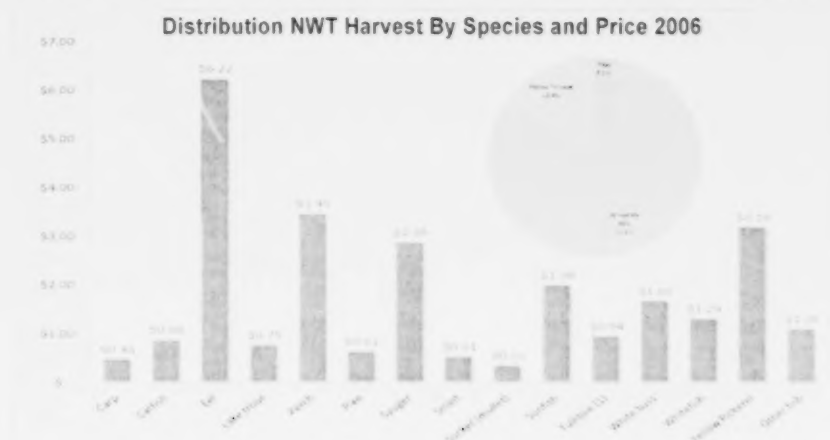


TABLE 3.1: 2007 FRESHWATER FISH HARVEST VOLUMES AND VALUE SOURCE: FISHERIES AND OCEANS CANADA

Species	ON		MB		SK		AB		NT		Canada	
	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Lake trout	227	205	40	30	295	192			39	20	600	447
Pike	19	20	1,099	694	391	217	28	16	34	18	1,572	965
Whitefish	2,070	3,890	2,054	2,363	1,125	794	1,361	1,639	488	461	7,098	9,145
Yellow Pickerel	3,878	12,017	5,829	18,849	475	1,497	34	84	29	87	10,245	32,534
Other fish	7,543	20,298	2,610	1,882	502	143	34	9	24	24	12,719	24,794
Total	13,737	36,430	11,632	23,818	2,788	2,843	1,457	1,748	614	610	32,234	67,885

Note: Q - Quantity, in Tonnes V - Value, in thousands of dollars

Benefits of Direct Marketing

Quality, marketed Canadian fish can command a premium price. For example, one company ships packaged fillets from its Minnesota warehouse (to clear customs) to anywhere UPS ships.

These filets are high quality, immediately processed and frozen to ensure freshness. They are wrapped in plastic and shipped in dry ice.

These Minnesota fish are sold in 3, 6, 9 and 11 pounds boxes. The price for an 11 pound box of fillets is \$135.00 USD or over \$160.00 Canadian plus shipping. Whereas the average price paid to fishers in Canada is about \$1.45 per pound, the direct market price for US customers is about \$14.50 per pound.

CHART 3.3: DISTRIBUTION OF HARVEST BY SPECIES AND PRICE

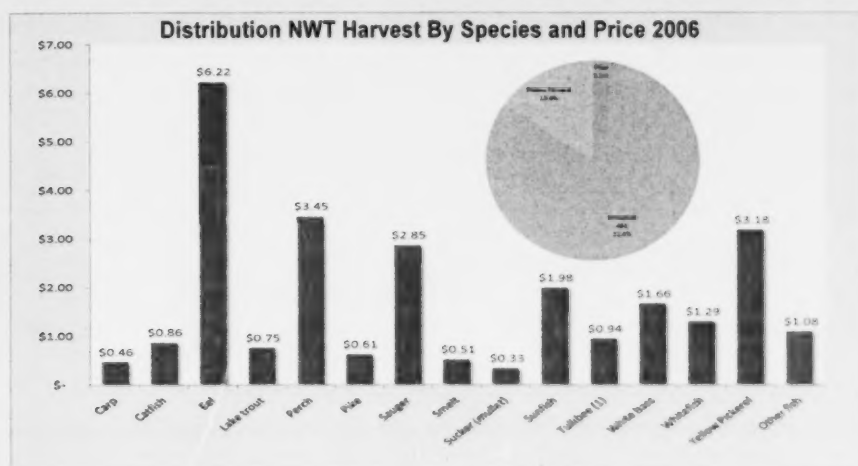


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Select NWT Commercial Species



Lake Whitefish

Lake whitefish are the main commercial fish in the NWT. Lake whitefish are traditionally one of Canada's most commercially valuable fish species. Lake whitefish diet consists of a wide variety of bottom-living invertebrates and small fishes, with zooplankton occasionally making up the remainder of the diet.



The Northern Pike

The northern pike is one of the NWT's most well known and widely distributed fish. In fact, this species has a circumpolar distribution, with populations occurring in nearly all parts of Canada, the northern United States, northern Europe, and Asia. Pike is a favorite sport fish for many tourists.



Lake Trout

Lake trout are a cold water species found throughout the NWT. Because this species does not tolerate warm water, lake trout from southerly populations are forced to retreat to the deep cold waters of the lakes.

4. FUR

Agriculture, fisheries, trapping and commercial game harvesting generate income and employment for NWT residents by producing products and services consumed in the domestic and export markets. About 40% of NWT residents over the age of 15 spend time participating in the traditional harvesting of trapping, fishing or hunting. Approximately 700 people still make their living trapping - contributing an estimated \$1.3 million to the economy (2007/08). Wild fur from the NWT is considered among the very best in the world.

Traditional Economy within the Economy

The Traditional Economy continues to be an important contributor to the economy. The Traditional Economy is defined as a system of production for both use and exchange, consisting of natural resource harvesting and processing activities by which people provide for food, fuel and other household needs as a means of subsistence and a source of material for trade.

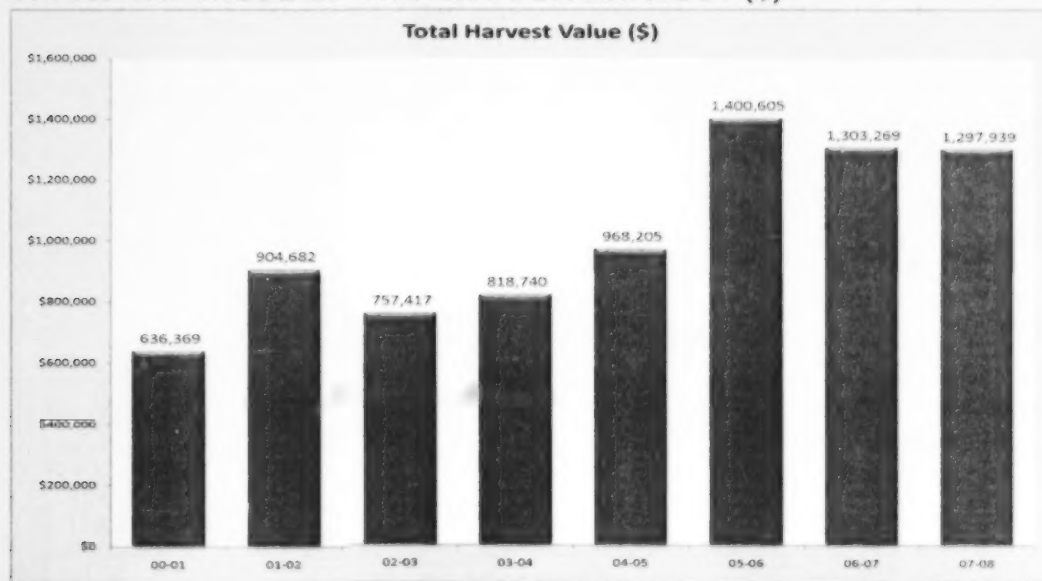
Up until the 1940's the traditional economy was the sole economic provider to the majority of residents in the NWT. It remains today, even with significant activity occurring in other economic sectors, a significant contributor to the economic wellbeing of most if not all communities in the NWT.

The Traditional Economy in many households provides

the means necessary to supplement, often seasonal income, and reduce dependence on publicly funded social safety nets. Each activity that makes up the traditional economy plays a key interconnecting role in providing for basic household necessities. The traditional economy has and continues to be the most reliable, consistent source of economic benefits to residents, especially in smaller communities.

Trapping is critical to sustaining a traditional lifestyle. Trapping provides food, material for clothing and, most importantly, cash income. Most often the cash is reinvested back into the traditional economy, often to purchase equipment or materials in support of future harvesting.

CHART 4.1: VALUE OF THE NWT FUR HARVEST (\$)



Active Trappers

As highlighted in chart 4.2, the number of active trappers across the NWT remains fairly constant between years 2000 and 2008. Support programs, including financial, are provided by headquarters and delivered through the Regional Offices. The training programs focus on young people, to develop hunting and trapping skills. The trappers are predominantly male and of Aboriginal descent.

CHART 4.2: ACTIVE TRAPPERS

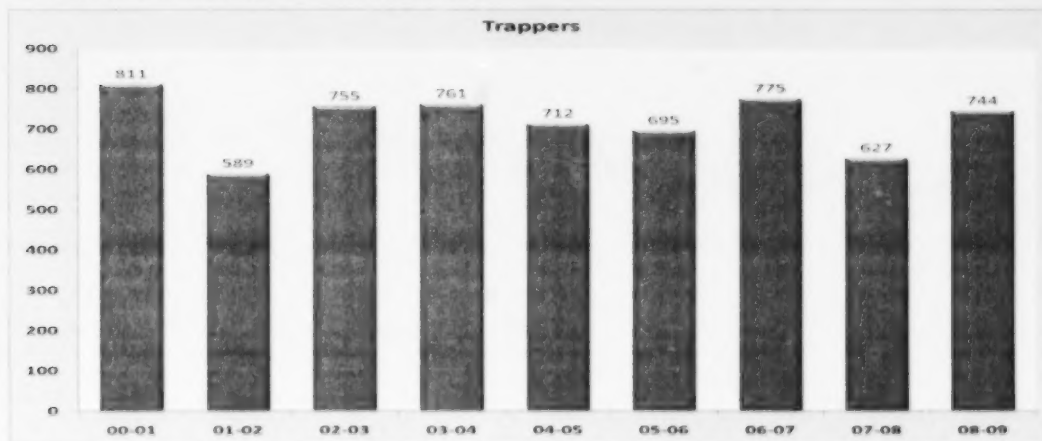
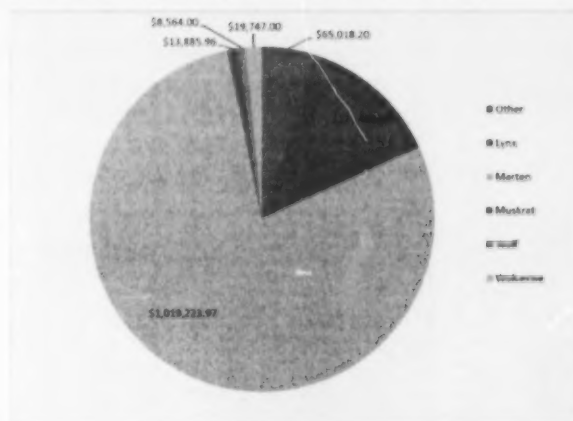


CHART 4.3: VALUE OF SELECTED SPECIES (AUCTION PRICE)

Selected Species

Chart 4.3 shows the value of selected species in 2008. Marten and lynx have the highest fur value; accounting for 79% and 13% of the total value respectively. The wild fur from the NWT is considered among the very best in the world and generally commands a high price in the fur auction.



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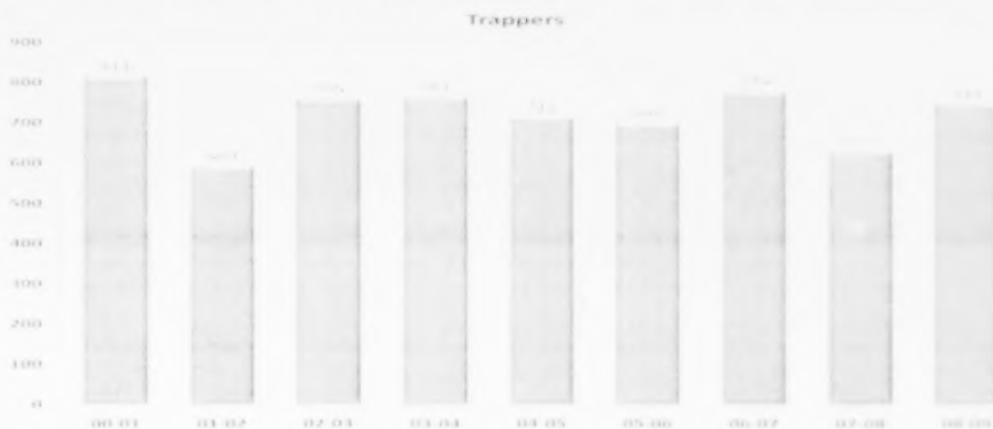


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**TABLE 4.1: FUR PRODUCTION, BY PROVINCE AND TERRITORY-
WILDLIFE** SOURCE: STATISTICS CANADA, CANSIM

\$ thousand	2003	2004	2005	2006
Canada	26,164	24,675	31,415	25,777
Newfoundland and Labrador	963	718	1,085	327
PEI	102	79	95	98
Nova Scotia	619	516	651	657
New Brunswick	915	729	1,124	1,067
Quebec	5,358	5,413	8,746	5,950
Ontario	6,470	7,397	7,135	4,885
Manitoba	3,039	3,109	3,288	2,974
Saskatchewan	2,866	1,688	2,002	2,967
Alberta	2,943	2,161	3,059	2,938
British Columbia	1,101	1,297	1,747	1,590
Yukon	282	241	429	389
NWT	812	970	1,410	1,303
Nunavut	694	357	644	632

Benefits of Trapping

Trapping provides cash income and enables Aboriginal people to continue a lifestyle that has been a tradition in the North for thousands of years.

Management of resources is done in partnership with trappers, local wildlife management boards and government. All harvesting is monitored and analyzed to ensure healthy animal populations.

Trapping occurs in the coldest months when the fur is prime to ensure only top quality pelts are marketed. Prime means that the fur has reached its maximum length, density, and texture, in order to achieve the highest price at the fur auctions.

As an internationally traded commodity, pelt values fluctuate due to supply (harvest) and demand based on

what fashion dictates. In the past five years emerging economies have influenced the fur trade, creating demand and increasing prices.

All fur bearing species are harvested in compliance with the International Agreement on Humane Trap Standards. The NWT has implemented these standards and enforced the use of certified humane traps.

Wildlife resources are not only an important part of our northern ecosystems, they are also an essential part of the cultural and economic well-being of northern residents.

Select NWT Species



Marten

The South Slavey word for marten is "nohthee", in North Slavey marten are "zo", in Dogrib they are "wha" and in Gwich'in they are "tsuk". In the fur industry marten are usually called Canadian or American sable, to link them to the valuable Russian sable. In the NWT, the marten is the most valuable furbearing species to harvesters below the treeline, because of their size and the density of their fur. Their wide ranges and reasonably stable price of their pelt make them a mainstay for harvesters.



Lynx

The Canadian lynx is common throughout the boreal forests of Canada and Alaska, and is particularly abundant throughout its northern range when snowshoe hare numbers are high. Lynx are harvested from November 1 to March 15 in the NWT, with their fur becoming prime in late November and at its highest quality during December and January. Trappers focus their efforts during this prime time to ensure only top quality pelts are available for sale at auction.

5. TOURISM

Tourism is the largest renewable resource based industry in the NWT. Within the economy it is considered an export, as it brings new dollars into the NWT and generates employment for many northerners. The NWT has a vast array of unique natural and cultural attractions, and draws people from around the world. The travel and tourism industry is competitive and is not immune to global situations like the recent economic downturn or the rise in terrorism.

Tourism within the Economy

Tourism includes a number of different industries - transportation, accommodation, and food services among others. The national definition of tourism includes both business and leisure travellers, but the forces generating demand can be quite different for these two travel sectors. In the last ten years, the number of visitors from Japan has grown substantially, but visitation from other parts of Canada and the United States has remained relatively static. Efforts to attract tourism from other destinations, like Europe, have met with limited success.

Chart 5.1 shows the contribution of visitor spending to the economy. As shown, year 2006 was the first

year when business travellers spent more on their visits than leisure travellers. Overall, the tourism sector represents over 2% of the total economy, and its share of total economic activity has changed little over the past decade.

Tourism also provides an excellent market for local arts and crafts, utilizing many traditional skills, and is compatible with the principles of sustainable development.

CHART 5.1: VISITOR SPENDING



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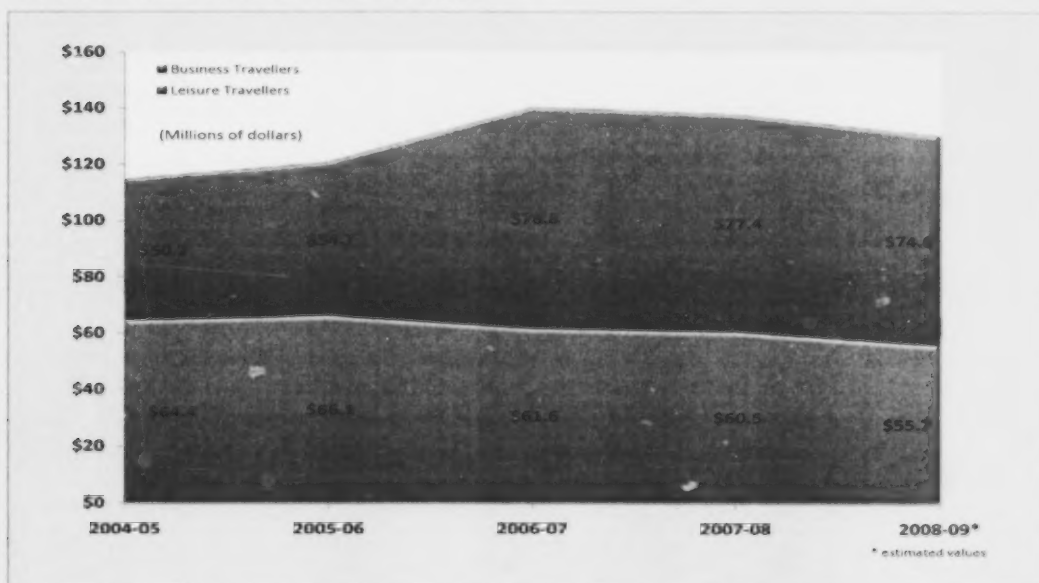


CHART 5.2: EMPLOYMENT IN THE ACCOMMODATION, FOOD AND DRINKS SECTORS

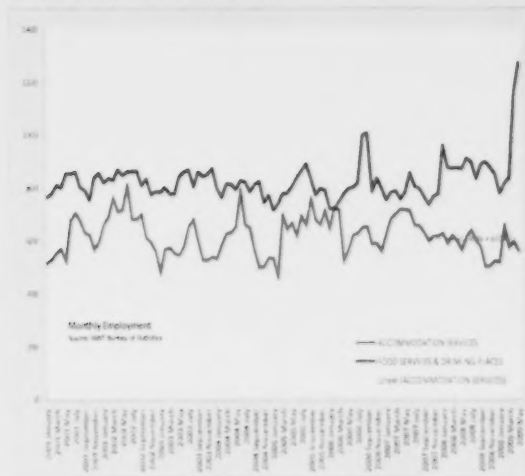
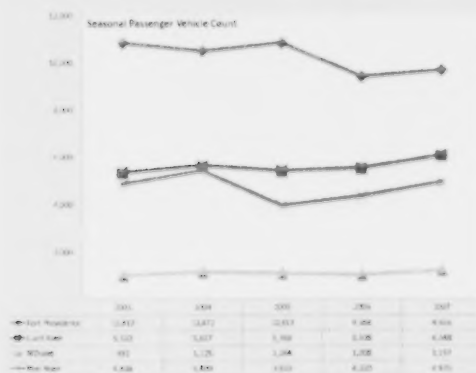


Chart 5.2 shows the changes in monthly employment between January 2001 - May 2009. Significant declines are seen in 2001 and 2003. The changes in the current global economic situation have been negatively affecting accommodation services in the NWT since 2007. The food services and drinking establishments are not as dependent on tourism, so changes to these businesses are not as significant. The highest increase in employment is seen during the summer months of June and July, followed by decline in September and October.

CHART 5.3: FERRY CROSSINGS COUNT



The NWT has four major Ferry Crossings – Peel River, Wrigley, Liard River, and Fort Providence. The ferries operate from May until October with the exception of Fort Providence, which has a longer operational season, usually between May and January. Chart 5.3 shows the changes in passenger vehicle count over the last five years. Vehicle counts include NWT and out-of-territory vehicles. Only the Fort Providence and Peel River crossings have shown fluctuation in road traffic. While the number of passenger vehicles in Fort Providence has declined since 2005, Peel River shows an increase over the same period of time.

CHART 5.4: AIR TRAVEL, COMPARISON 2006-2009

The preferred mode of transportation for travelers into the NWT is evenly split between road and air travel. Air travel is preferred by individuals traveling for business or employment. Chart 5.4 shows air travel traffic for non-residents during the last 3 years and estimated number of non-resident travelers for the 2009/2010 season. The estimated values were based on April - January data. The estimates indicate a decline in vacation and meeting/conference travelers and a slight increase in employment travel.

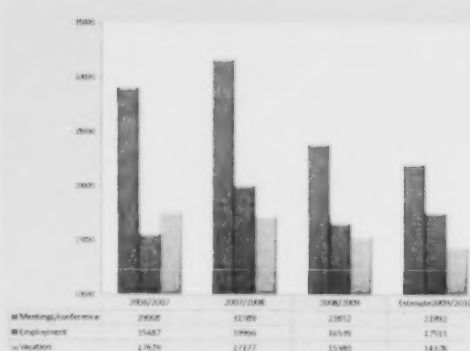
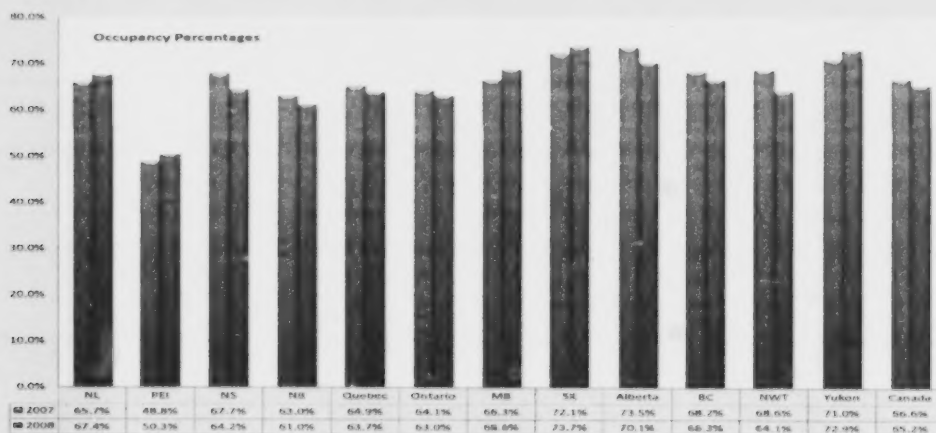


CHART 5.5: OCCUPANCY PERCENTAGES



The "accommodation industry" includes hotels, motels and bed and breakfast businesses. Industry sales are influenced by tourism and investment, which impact business travel. Chart 5.5 above compares occupancy percentages between 2007-2008 for all provinces and territories. While occupancy rates in the NWT are on par with most provinces, performance lags Alberta and

the Yukon. Saskatchewan, Manitoba, Newfoundland & Labrador, PEI and Yukon are the only provinces/territories that showed an increase in occupancy from 2007 to 2008. The small decline in NWT occupancy likely reflects a decline in mining and oil/gas exploration, as well as a small decline in tourism visitation.

NATIONAL PARKS

The NWT is home to 4 national parks – Nahanni National Park Reserve, Tuktut Nogait, Aulavik, and Wood Buffalo National Park. As illustrated in Table 5.1 Nahanni and Wood Buffalo are the main visitor destinations.

At 44,807 square kilometres, Wood Buffalo National Park is Canada's largest national park and one of the largest in the world. As a remote wilderness park and World Heritage Site, Wood Buffalo National Park attracts Canadian and international visitors who wish to experience and learn about the unique cultures, landscapes and wildlife of the boreal north. Approximately 1000 visitors come to the Wood Buffalo National Park annually.

Nahanni National Park Reserve is acclaimed as Canada's premier wilderness river national park. It is located in the southwest corner of the Northwest Territories, in

the traditional territory of the Dehcho First Nations. Nahanni's boundary protects over 30,000 square kilometres of crucial habitat for grizzly bears, woodland caribou and Dall's sheep. It protects the length of the South Nahanni River in the Dehcho, the highest mountains and largest glaciers in the NWT and the deepest canyons in Canada. The globally unique caves, canyons, rock towers and sinkholes of the Nahanni North Karst are inside the park boundary.

Every year about 900 visitors from all around the world choose Nahanni National Park as their vacation destination. Multi-day whitewater canoeing, kayaking and rafting trips are the park's most popular recreational offer, with trip options ranging from ten days to three weeks. The most popular camping locations among visitors are Virginia Falls and The Gate.

TABLE 5.1: VISITATION TO NATIONAL PARKS IN THE NWT

	2003-04	2004-05	2005-06	2006-07	2007-08
Aulavik	88	48	66	16	5
Nahanni Reserve	1,015	885	1,021	796	956
Tuktut Nogait ^{&}					12
Wood Buffalo	1,089	1,226	1,148	1,008	914
Total	2,192	2,159	2,235	1,820	1,887

& - 2007-2008 was the first season when Parks Canada collected visitation data

6. MANUFACTURING

Manufacturing was showing significant growth between 1999 and 2005, when overall sales were approaching \$100 million. At that time there were over 30 businesses involved with manufacturing. Since then, sales have declined to \$40 million, and there have been a number of plant closures.

Manufacturing

Manufacturing is dominated by diamond processing, metal fabrication, printing and building products. Overall sales have declined significantly over the past four years, from \$90 million in 2005 to an estimated \$40 million in 2008.

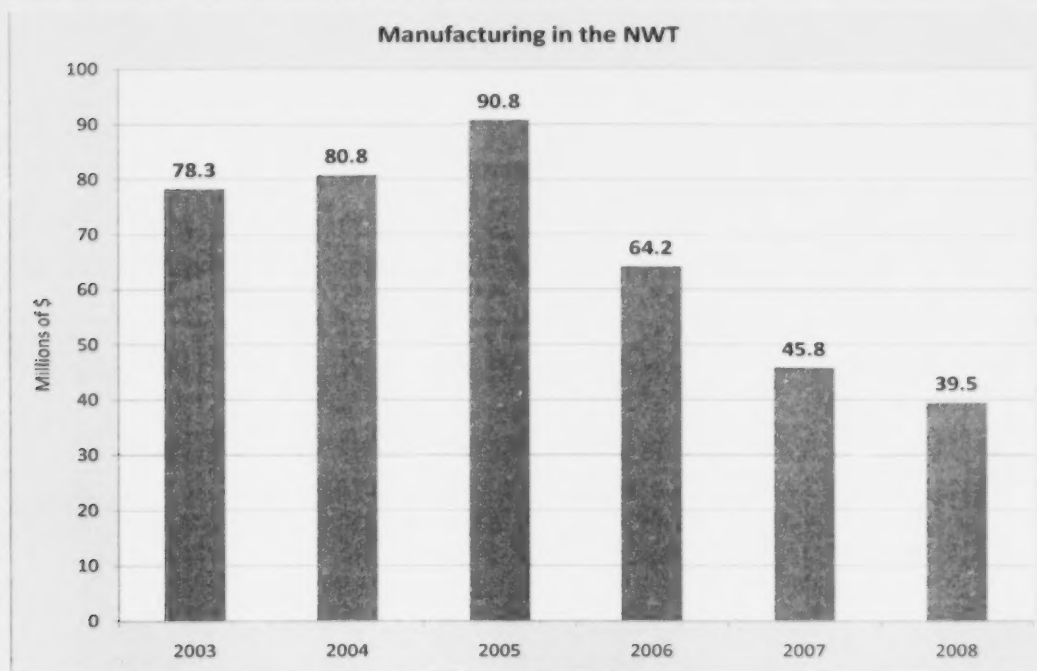
Manufacturing can reduce our reliance on imports, improving our balance of trade with the rest of Canada. This keeps jobs and opportunities within the NWT. A viable manufacturing sector also provides new and rewarding employment and experience for

northern residents, and through re-spending, additional employment in the supply and service sector.

NWT manufacturing can supply products developed in the north for northern conditions and tastes. For example, the Fort McPherson Canvas shop makes custom tents for exploration companies and harvesters.

Manufacturing in the NWT is still in its infancy. In 2006, there were 360 residents engaged with manufacturing; 240 were employed in Yellowknife.

CHART 6.1: TRENDS IN MANUFACTURING SALES



There are 15 manufacturing companies in the NWT registered with Statistics Canada. This compares to 45 in the Yukon and 12 in Nunavut. While manufacturing sales still exceed the Yukon, sales have been declining. The Yukon has been actively promoting manufacturing and processing with a 2% income tax rate for all manufacturing and value added industries.

**TABLE 6.1: NUMBER OF MANUFACTURING COMPANIES BY
EMPLOYMENT SIZE AND REGION NORTH AMERICAN INDUSTRY
CLASSIFICATION SYSTEM (NAICS 31-33) JUNE 2008**

Province or Territory	Employers	Non-Employers/ Indeterminate	Total
Alberta	5,408	3,508	8,916
British Columbia	8,018	4,988	13,006
Manitoba	1,629	858	2,487
New Brunswick	1,065	462	1,527
Newfoundland and Labrador	522	287	809
Northwest Territories	14	1	15
Nova Scotia	1,296	706	2,002
Nunavut	9	3	12
Ontario	22,215	15,385	37,600
Prince Edward Island	270	120	390
Quebec	15,629	8,126	23,755
Saskatchewan	1,167	790	1,957
Yukon Territory	29	16	45
CANADA	57,271	35,250	92,521

Although the secondary diamond industry makes up the majority of NWT manufacturing activity, manufacturing in the NWT is a diverse industry. Over the past five years, manufacturing has involved:

- Lumber milling, doors, windows, water tanks, cabinets, logs and other home products;
- Boxes, pallets, stakes, core boxes, timbers and other material for the mineral industry;
- Cleaning agents
- Printing, silk screening, and publishing;
- Bottling, baking, canning and meat processing;
- Custom furniture;
- Boat building, log homes, engine rebuilding, komatiks, sleds, trailers and upholstery;
- Metal, wood and plastic signs;
- Canvas goods, bags, tents, jewelry, leather, shoes, tanned furs, clothing;
- Redi-mix concrete, trusses, sheds, planters, and related construction material; and,
- Crafts, including pottery.



7. CONSTRUCTION

Despite the current economic recession, the NWT construction industry is poised to continue booming for several more years. In the short term, territorial and federal stimulus initiatives promise to raise the budget for capital expenditures to an unprecedented \$400-million-plus for this fiscal year. In the medium term, continuing transportation infrastructure investments, construction of several new mines, and underground expansion of some existing diamond mines should keep the territorial industry buoyant.

Construction Industry in the NWT

The vast majority of Canadian construction firms are small, with more than 90% having fewer than 20 employees, and approximately 75% reporting annual revenues of less than \$250,000. Most NWT contractors are also small, but many existing firms that started out with little more than a tool box and a pickup truck years ago, are now relatively large businesses employing dozens of workers on jobs throughout the NWT and, in many cases, Nunavut.

In fact, a few have established branch offices in southern Canada, and some have even undertaken projects abroad. In the early 1990s, for example, Clark Builders

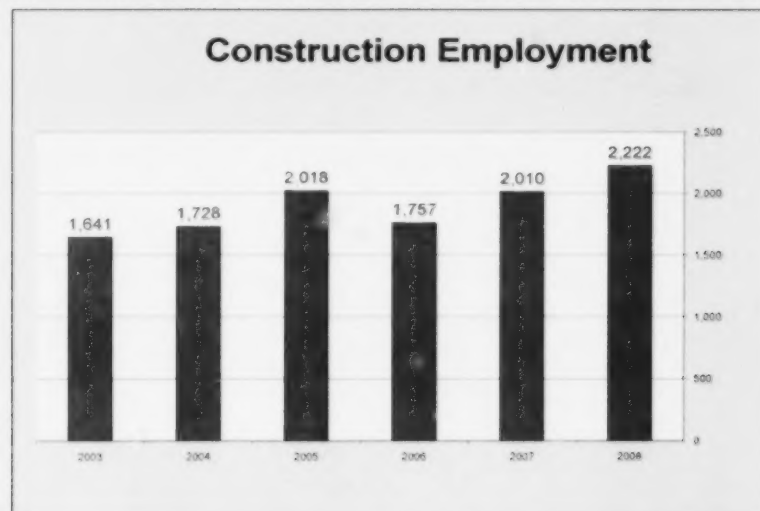
erected an entire village in Yakutsk, Siberia based on plans developed by FSC Architects & Engineers of Yellowknife. Clark has also constructed an airport, a hotel and housing of various kinds in Japan and China. Adco North has applied its experience in the NWT to install power stations in places like Chile and the Grand Cayman Islands.

Conversely, recent hyperactive economic activity here has been attracting some major southern Canadian construction firms, such as Leducor and SNC-Lavalin, to the north.

Employment

The construction industry employed an average of about 2,200 workers in 2008, i.e. approximately 8.5% of the total territorial workforce and almost 11% of private sector employment.

CHART 7.1: CONSTRUCTION EMPLOYMENT NWT BUREAU OF STATISTICS



Income

At \$1,228, average weekly construction earnings were among the highest in the NWT in 2008, and construction workers were paid a total of \$287 million that year, or 15% of total employment income.

CHART 7.2: AVERAGE WEEKLY EARNINGS - 2008 NWT BUREAU OF STATISTICS



Contribution to the Economy

As in southern Canada, the NWT construction industry has a disproportionate impact on the local economy by virtue of its better-than-average spin-off effects. The Market Research Corporation, for example, estimates that every new Canadian construction job creates another three in the national economy, and Informetrica estimates that every \$1 million invested in nonresidential construction, alone, generates 15 to 20 person years of employment. Up here, the NWT Statistics Bureau's input-output model once estimated that every construction job creates as many as 1.44 jobs in the territorial economy, and every dollar of

construction investment contributes up to \$1.38 to GDP.

In 2008, the NWT construction industry contributed \$524 million to territorial GDP (chained 2002 dollars), or 14% of total GDP, making construction the territory's second largest private-sector industry, behind mining.

The construction sector grew by 19% between 1999 and 2008. Not surprisingly, as chart 7.3 illustrates, the level of construction activity dovetailed closely with the installation of the diamond mines.

CHART 7.3: CONSTRUCTION GDP AS % OF TOTAL GDP NWT BUREAU OF STATISTICS

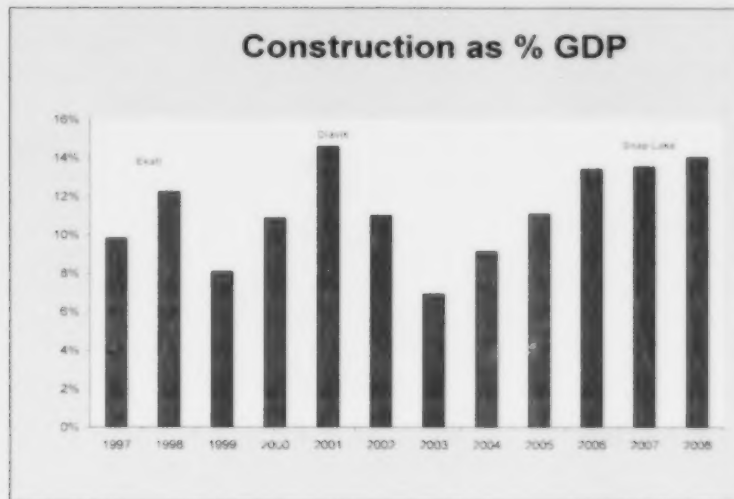


CHART 7.4: PERCENTAGE OF GDP BY SECTOR - 2008 NWT BUREAU OF STATISTICS



Construction Indicators

Value of Building Permits

The total value of all building permits climbed by 18% in 2008 to \$ 87 million from \$74 million in 2007. The value of permits for commercial buildings increased to \$50 million from \$37 million the previous year.

Housing Investment

Total housing investment declined by 6% in 2008, to \$62 million from \$66 million in 2007, largely because investment in single-family dwellings dropped by \$9.3 million from \$16.5 million in 2007.

Capital Expenditures

Capital expenditure intentions indicate that private and public investment in construction will shrink by 36% in 2009 to \$980 million, versus \$1.5 billion preliminary actual figures for 2008. These figures anticipate a 43% decline in private investment and 43% increase in public investment (before any federal stimulus packages were announced).

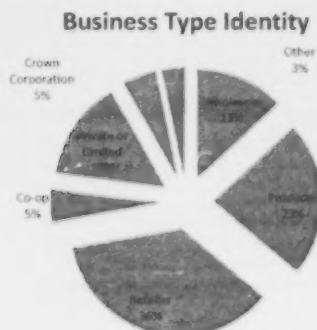
8. ARTS AND FINE CRAFTS

Economics is really about how people live and support themselves. The arts and crafts sector, in combination with the traditional economy (hunting, fishing, etc) are very important to the subsistence of people, specially in the smaller communities of the Territory. In 2008-2009 a survey was conducted by the Arts and Fine Crafts Sector of the GNWT to assess the needs of the Arts Industry of the NWT. The report from that survey serves to provide up to date industry facts, current statistics and economic information on the arts and fine crafts in the NWT.

Type of Business

The results, shown in Chart 8.1, illustrate that the majority of businesses identified as a retail business. There is a strong correlation between retail and producer categories. This highlights the strong presence of self producing businesses. A predominant number of respondents are artists themselves and their retail business is operated around their own art products.

CHART 8.1: BUSINESS TYPE (2008 SURVEY)



Type of Products

The majority of the sales in the NWT come from the Fine Art category, which is defined as carvings, graphic arts, metal work, tapestries, birch bark baskets, stained glass, tufting, paintings and prints. This category accounts for 58.7% of all sales in the Arts Industry in the NWT.

The art products being sold are predominantly produced in the NWT. There is also a small percentage produced in Nunavut and other Canadian locations.

Retailers in the NWT are established long term businesses, with the majority having been in business between 3 and 10 years. The vast majority of retailers in the NWT (43%) are relatively small businesses, with annual gross sales of roughly 50,000 CAD. However, some businesses are reporting annual gross sales of 100,000 or 200,000 CAD.

CHART 8.2: ANNUAL SALES (2008 SURVEY)

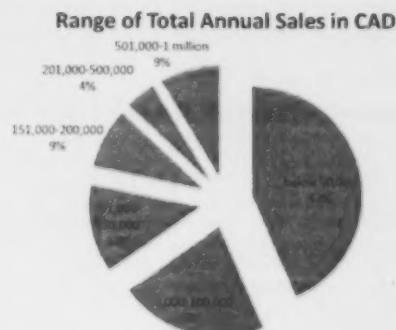
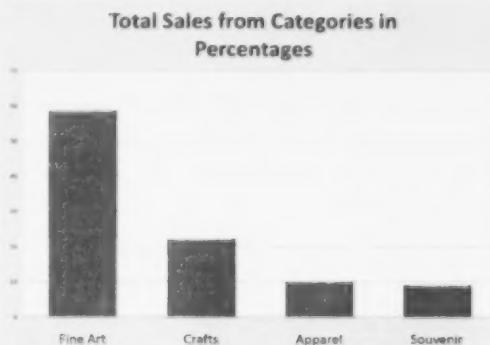


CHART 8.3: SALES BY CATEGORY OF ART PRODUCTS (2008 SURVEY)



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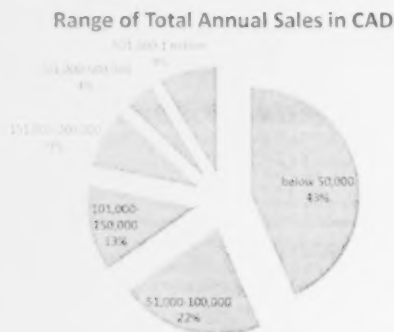


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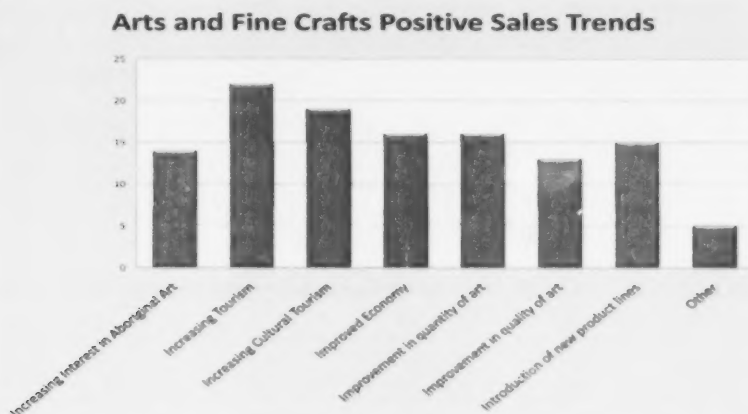
Total Sales from Categories in Percentages



Market Trends

The majority of the survey respondents (67%) indicated that they have seen an increase in market demand. In particular, an increase in tourism activity has resulted in an increased demand for art products.

CHART 8.4: POSITIVE TRENDS IN ARTS AND FINE CRAFTS SALES (2008 SURVEY)



Of the fine art products, the most carried by art retailers in the NWT are carvings, jewellery, drawings and paintings. Also popular, although on a smaller scale, are prints, tuftings and baskets. This is strongly related to what is more popularly produced by northern artists.

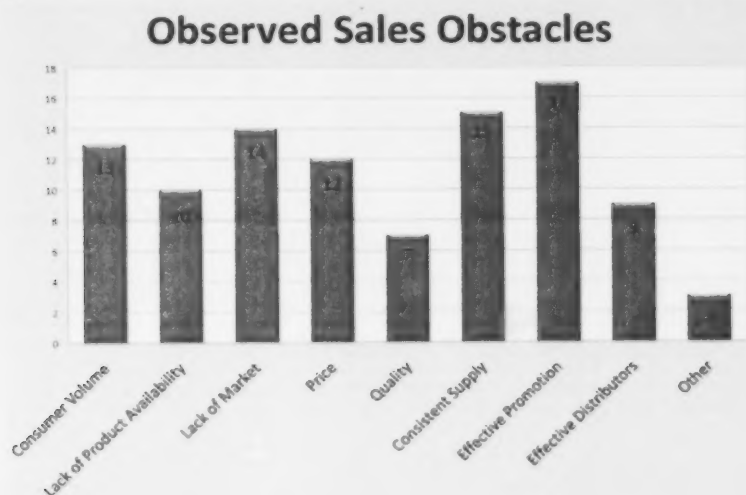
CHART 8.5: PRODUCTS IN THE FINE ARTS SECTOR OF THE NWT (2008 SURVEY)



Obstacles

The greatest obstacle identified by survey participants was effective promotion, followed by consistent supply, lack of market and lack of product availability. Promotion of the NWT as a destination, as well as promotion of the NWT Arts specifically, would address both the need for promotion and the lack of market by increasing the number of potential clients.

CHART 8.6: SALES OBSTACLES IN THE ARTS AND CRAFTS INDUSTRY (2008 SURVEY)



Suggestions for improving the NWT Arts Industry

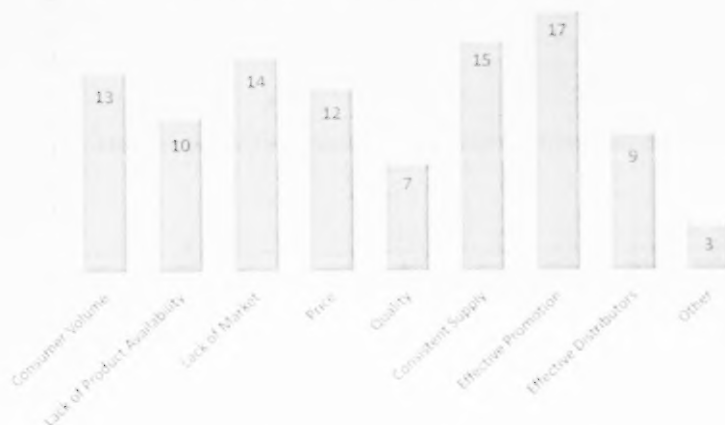
- Improve supply and accessibility of raw materials and create more incentive for traditionally produced materials;
- Encourage a stronger marketing link between cultural tourism and the NWT Arts and Fine Crafts Industry;
- Orchestrate more efficient, sustainable marketing schemes that span nation-wide and internationally, promote and assist with isolation factors and accessibility of regional art work to a higher consumer volume;
- Stimulate well organized, purely art themed festivals; and
- Create a space at subsidized cost in which producers can increase production;
- Inspire a more accepting and appreciative atmosphere celebrating the arts and artists/artisans.

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CHART 8.6: SALES OBSTACLES IN THE ARTS AND CRAFTS INDUSTRY
(2008 SURVEY)

Observed Sales Obstacles



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9. TRANSPORTATION

Transportation has a long history in the NWT. Aboriginal people regularly moved great distances in search of game, trade and other resources. European explorers invested considerable effort looking for an eastern short-cut. In recent decades, the development of the mineral and oil and gas resources has led to an expansion of roads, airports, railway and pipeline networks. Many of the NWT's largest companies today are in the transportation sector.

Transportation - a Major Industry

The transportation industry has always been linked with NWT development and trade. At the same time, development of transportation infrastructure remains a major challenge. Supplying remote communities, moving workers to job sites, getting products to market and supporting resource development are not easy, given the significant challenges of geography, market size, "red tape" and climate.

Industry has largely met this challenge, through a combination of investment, experience and innovation. The NWT pioneered "bush planes" and "ice roads". Both are good examples of turning weaknesses, such as

short construction seasons, limited infrastructure and cold climates into an advantage.

Transportation is a large and diverse sector of the economy and is comprised of some of the biggest firms in the territory. Highlighted in Chart 9.1, the industry's GDP increased 72% between December 1999 to December 2008. It is one of the NWT's largest industries, directly accounting for \$274 million in GDP. The industry is also a major employer, directly accounting for over 2,600 jobs.

CHART 9.1: TRANSPORTATION/WAREHOUSING GDP

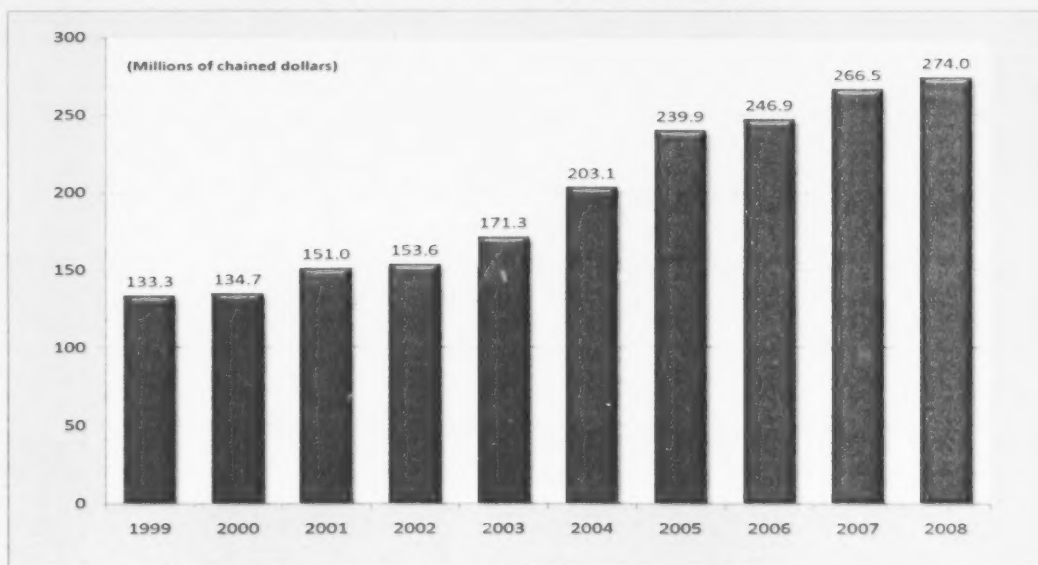
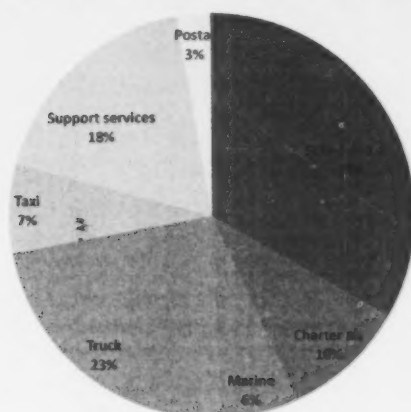


CHART 9.2: TRANSPORTATION INDUSTRY EMPLOYMENT

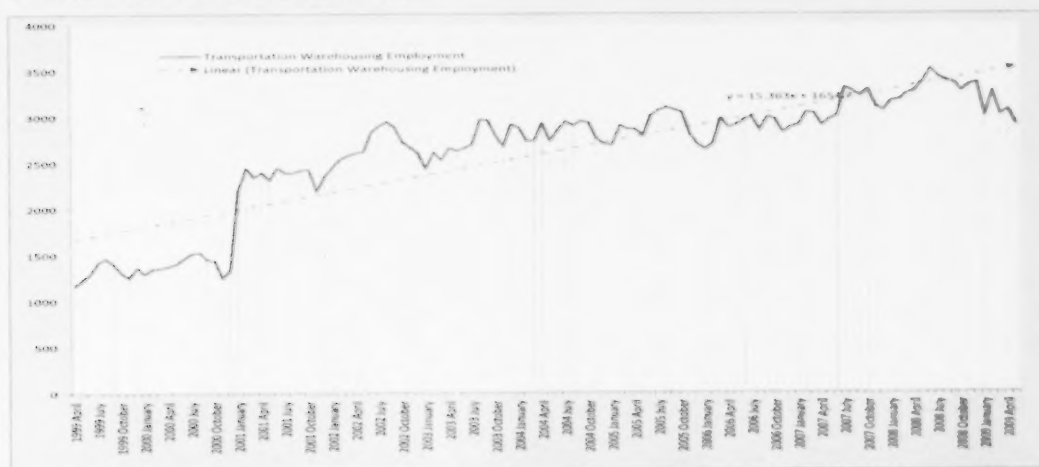


The transportation industry is well established, and is closely associated with NWT development. The NWT companies are world leaders in industry and community resupply, under harsh conditions and with limited infrastructure. Chart 9.2 breaks down industry employment into "modal" segments.

The largest employer of NWT residents is scheduled air service followed by trucking. Taxis and charter air services account for 7% and 10% of industry employment respectively.

Source: 2006 Census

CHART 9.3: EMPLOYMENT

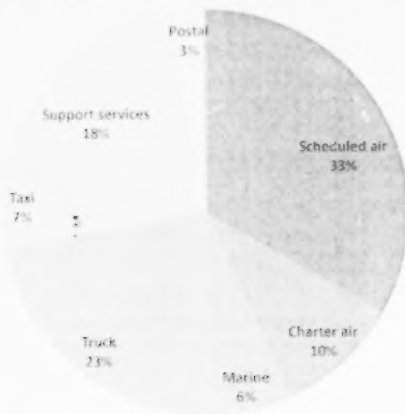


Transportation and warehousing businesses are a major NWT employer, averaging 2,600 jobs per year, with strong annual growth since 1999.

Overall employment in the industry is quite seasonal,

with two high peaks every year coinciding with summer resupply to the communities and ice road resupply to resource sites (minerals, oil and gas) and the communities (February and March).

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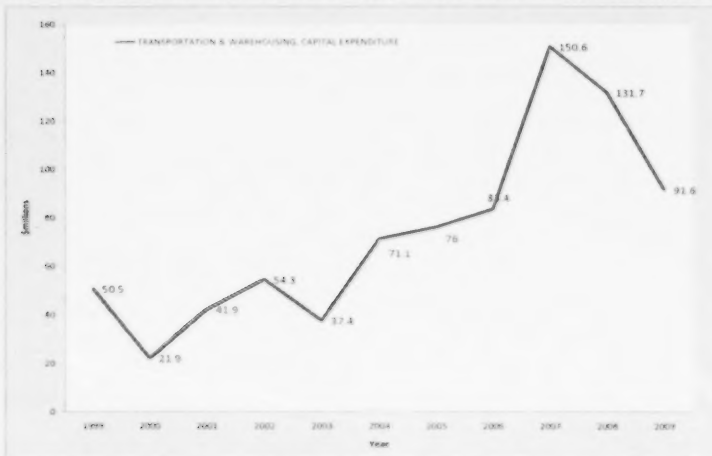
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CHART 9.4: INVESTMENTS IN TRANSPORTATION AND WAREHOUSING

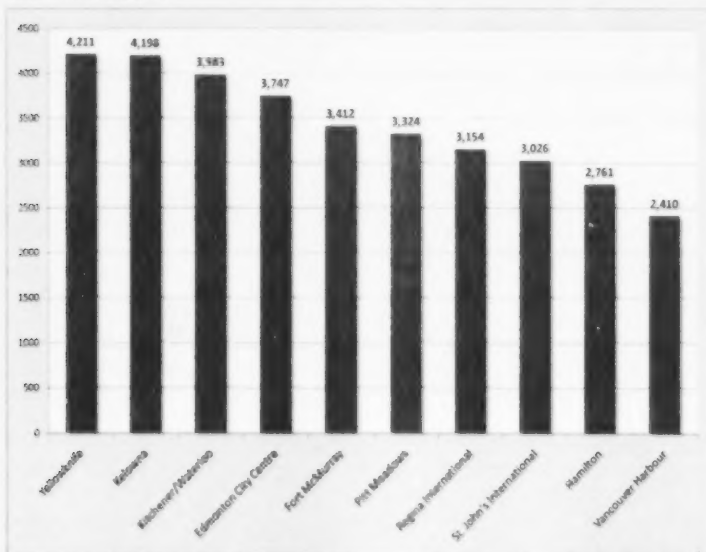
SOURCE: NWT BUREAU OF STATISTICS, CAPITAL INVESTMENT (IN \$'000)



Investment represents future potential, as well as business perceptions of the economy. If businesses see growth potential, they will invest in new equipment or physical expansion. As shown in Chart 9.4, investment in transportation has been increasing in recent years - certainly a positive vote for future development.

CHART 9.5: YELLOWKNIFE IS A MAJOR CANADIAN AIRPORT

SOURCE: AIRCRAFT MOVEMENT STATISTICS: NAV CANADA TOWERS AND FLIGHT SERVICE STATIONS, DECEMBER 2008.



Yellowknife is a major gateway to the Arctic as well as the NWT. It is the 22nd busiest airport in Canada, and as shown in Chart 9.5, has more traffic than Fort McMurray, St. Johns, Hamilton or Regina, all of which are international airports.

10. PROFESSIONAL AND TECHNICAL SERVICES

Service businesses are a major employer and contributor to the NWT's economic growth. Overall growth in the industry appears more closely associated with population growth than GDP or other business growth. While the combined service industry accounts for \$651 million in sales, its overall share of the economy has been declining. This likely reflects the nature of resource development and major business financing in the NWT. Most resource and exploration companies rely on national or even international financial resources.

Services within the Economy

Many service businesses are small, and can be found in most communities. While individually small, together they represent 16% of the total economy, about \$651 million.

Services are usually grouped as business or personal services. For example, barbers provide haircuts, a personal service, while a payroll company provides a business service. Some businesses service both markets. For example, an interior design or income tax business may provide services to businesses and people.

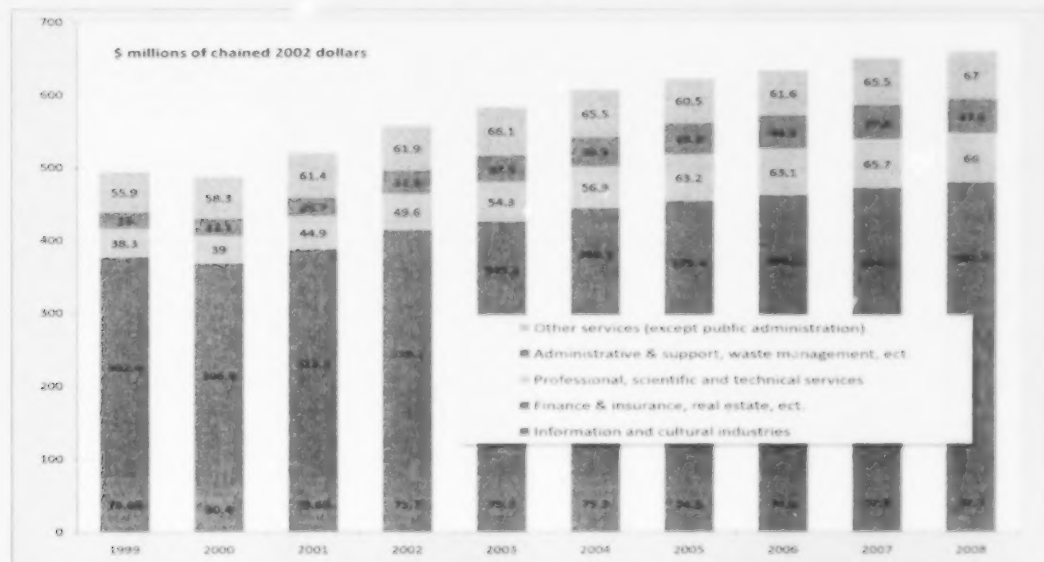
Chart 10.1 below highlights GDP trends by a number of service industries in the NWT, including finance,

insurance, information, administration and other services.

Overall growth has lagged the resource sector, with their GDP growing only 10 million since 1999, compared to other sectors, such as the administrative and support service sector, which has grown almost 25 million and more than doubled in that same period of time.

As shown in chart 10.1, the largest service industry is finance and insurance, which accounts for roughly 60% of the service industry.

CHART 10.1: GDP FOR SELECTED SERVICE INDUSTRIES



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Operating Results

Operating results are available for a select group of professional services. The table highlights architectural, engineering, residential lessors and non-residential leasing.

As shown in Table 10.1, lessors and leasing companies are extremely profitable, both averaging over 20% profit on sales.

Professional services, such as architects and engineers, are less profitable; however, in many cases, salaries and wages include payments to owners. Compared to similar businesses in other provinces, these companies have high sales.

TABLE 10.1: OPERATING STATISTICS 2006, SELECT NWT SERVICES

	2002	2003	2004	2005	2006	2007
Architectural services	\$ millions					
Operating revenue	4.8	5.2	6.9	7.7	8.1	8.8
Operating expenses	4.2	4.2	6.4	6.5	7.4	8.2
Salaries, wages and benefits	1.2	1.7	2.4	3.2	3.1	3.1
Operating profit margin	12.1	19.5	7.6	15.1	8.4	7.4
Engineering services	\$ millions					
Operating revenue	17.3	19.7	22.1	26.8	30.2	26.5
Operating expenses	16	17.9	19.3	25.7	29.6	23.6
Salaries, wages and benefits	6.3	7.6	8.6	8	10.6	8.1
Operating profit margin	7.3	9	12.6	4.4	2.2	11
Lessors of Residential Buildings	\$ millions					
Operating revenue	32.1	25.7	29.5	35.3	40	
Operating expenses	27.7	21.1	24.4	26.4	30.8	
Salaries, wages and benefits	4.3	2.8	2.9	3	5.2	
Operating profit margin	13.8	18.1	17.4	25.3	22.8	
Non-residential leasing	\$ millions					
Operating revenue	49.7	53.5	52.8	52.3	51.9	
Operating expenses	48	45.8	44.9	40.1	38	
Salaries, wages and benefits	4.3	5.4	5.4	6.6	6.6	
Operating profit margin	3.5	14.5	15.1	23.4	26.8	

Strong Revenues

Chart 10.2 plots average revenues per establishment for architectural and engineering services in the NWT compared to other provinces. As is evident from the charts, professional services in the NWT have

significantly higher revenues per business than other provinces. In fact, the average architectural business in the NWT has revenues 68% higher than other provinces, while engineering revenues are 86% higher.

CHART 10.2: AVERAGE REVENUES PER ESTABLISHMENT FOR ARCHITECTURAL AND ENGINEERING SERVICES, VARIOUS PROVINCES AND THE NWT (2007) STATISTICS CANADA

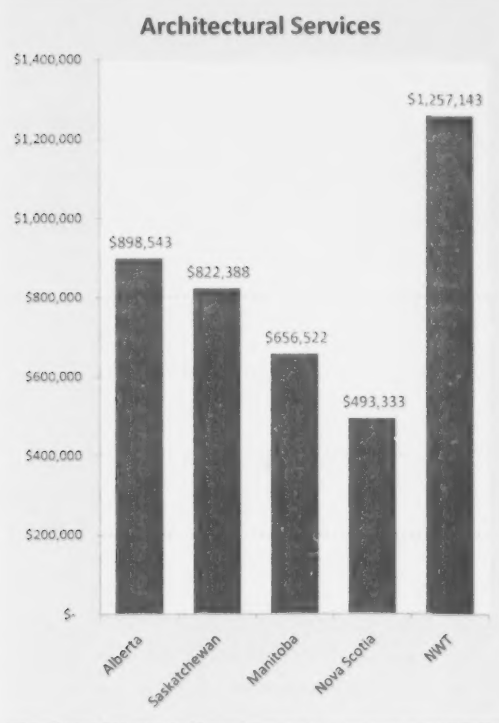
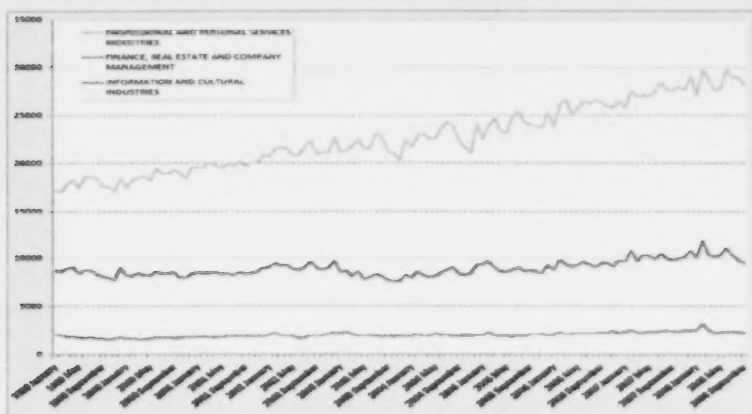


CHART 10.3: LABOUR INCOME FOR SELECT SERVICES

SOURCE: NWT BUREAU OF STATISTICS, (\$'000)



Wage and salary data is available for selected service and professional businesses in the NWT. As shown in chart 10.3, incomes have grown fastest in personal and professional services. Wages earned in information and cultural industries have remained relatively static, as have earnings in real estate and finance.

TABLE 10.2: CAPITAL EXPENDITURES

SOURCES: STATISTICS CANADA, \$ MILLIONS

Industry/Sector	2005	2006	2007	2008	2009 Intentions	Growth last year	% Change
N.W.T.	1469.4	1848.3	1994.8	1799.6	1215.3	-584.3	-32%
Agriculture, forestry, fishing and hunting	0.6	0.7	0.8	x	0.9	x	x
Mining and oil and gas extraction	1042	1443.3	1469	1323.2	721.9	-601.3	-45%
Utilities	26.8	26.7	30.6	29.3	31.8	2.5	9%
Construction	3.6	5.9	15.5	16.7	16.8	0.1	1%
Manufacturing	x	1.7	0.8	1.6	1.7	0.1	6%
Wholesale trade	2.3	5	8.4	3.9	6.2	2.3	59%
Retail trade	10.1	10.1	11.7	15	16.5	1.5	10%
Transportation and warehousing	76	83.4	150.6	131.7	91.6	-40.1	-30%
Information and cultural industries	24.9	22	24	18.5	17.4	-1.1	-6%
Finance and insurance	7.6	8.3	11	7.5	10.1	2.6	35%
Real estate and rental and leasing	26.8	37	40.9	34.1	22.8	-11.3	-33%
Professional, scientific and technical services	6.5	2.6	3.3	5.3	3.5	-1.8	-34%
Administrative and support, waste management	4.6	5.2	3.1	3.8	3.1	-0.7	-18%
Educational services	9.3	16.4	28.6	25.8	62.1	36.3	141%
Health care and social assistance	11.4	7.1	12.9	9.7	15.5	5.8	60%
Arts, entertainment and recreation	x	x	0.3	0.6	1.4	0.8	133%
Accommodation and food services	12.7	14.9	13.4	10.4	11.2	0.8	8%
Other services (except public administration)	1.8	1	1	1.4	1.3	-0.1	-7%
Public administration	112.7	90.7	102.6	111.8	123.1	11.3	10%
Housing	87.2	63.8	65.5	47.5	55.7	8.2	17%

Investment represents future potential, as well as business perceptions of the economy. If businesses see a lot of potential growth, they will invest in new equipment or physical expansion. As shown in Table 10.2, investment intentions for 2009 are down significantly from 2008 - close to \$600 million.

11. RETAIL TRADE

Retail trade includes a wide and diverse group of businesses: the corner store, fuel oil suppliers, department stores, video sales, arcades, automotive repair and sales and service stations, to name a few. The vast majority of retail businesses are small businesses, owned by local residents. However, this group also includes some of the NWT's largest companies, including Walmart and Northern Stores.

Retail Trade's Contribution to the Economy

On a regional basis, retail sales are largely determined by population and disposable incomes; disposable income being that portion of total income left after basic living expenses. Chart 11.1 shows retail trade as measured within the GDP.

Retail GDP increased from \$81 million to over \$117 million in 2008; an increase of approximately \$36 million. Growth has averaged about 4% a year, which is significantly higher than the Canadian average. In 2008 retail trade accounted for 3% of the total GDP.

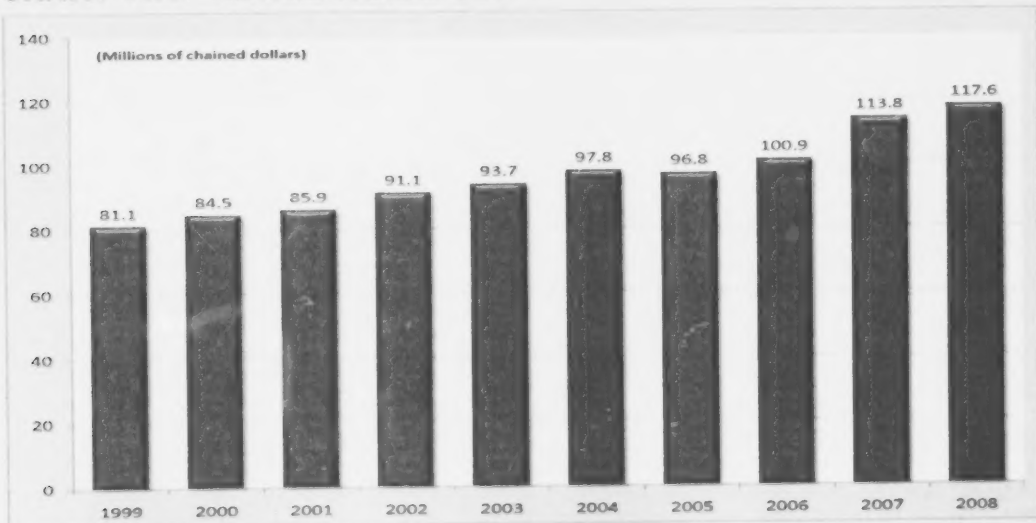
However, the industry has not kept pace with the NWT's record GDP growth. Slower than expected industry growth likely reflects a number of factors. First, it takes time and significant investment to expand

store capacity. In fact, industry investment has been declining by about 9% a year over the past 5 years, and has consistently been less than 1% of total investment.

The NWT population has only increased by 400 residents over the past 5 years. While incomes have increased significantly, the lack of population growth will constrain retail markets, as well as the availability of labour.

The winter 2007/08 survey of small NWT businesses by the Canadian Federation of Independent Business identified labour shortages as the major limit on small business expansion.

CHART 11.1: RETAIL TRADE GDP



Retail Trade Operating Statistics

Financial information on NWT retail business is limited. Community or regional information is even more limited, as is detail beyond the basic industry level. There are no breakdowns by business size or regional location.

Gross margin or gross profit can be defined as the amount of revenue or sales left to the business after paying direct-fixed and direct-variable costs, required to cover overhead (fixed commitments) and provide

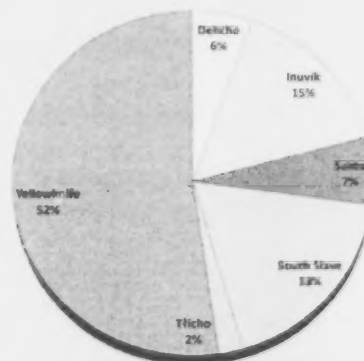
a buffer for unknown expenses. As shown in Table 11.1, gross margins for NWT companies are similar to other retail firms in the Yukon and Prince Edward Island. However, for new car dealers in the NWT, the gross margin is higher than the other two jurisdictions. This is partly explained by higher operating costs in the NWT.

TABLE 11.1 - RETAIL TRADE OPERATING EXPENSES FOR 2007
SOURCE: STATISTICS CANADA

	Sales	Operating Expenses	Cost of Goods	Gross Margin %
	\$ thousands	\$ thousands	\$ thousands	percent
N.W.T.				
Total	737,603	159,830	506,713	31.3
New car dealers	183,280	33,951	130,967	28.5
Y.T.				
Total	534,047	118,498	390,333	26.9
New car dealers	x	x	x	x
P.E.I.				
Total	1,706,865	360,076	1,260,201	26.2
New car dealers	252,576	29,628	217,322	14

Regional Distribution of Businesses

Business distribution is closely associated with population distribution. Approximately half the number of businesses, and half the population, live in Yellowknife. Similar percentage distributions are seen in other regions of the NWT. The one exception is Tłı̄chó, which has relatively few businesses for its population. The region's proximity to Yellowknife makes it easier for residents of this region to shop at the capital.



Population and Industry Trends

Population dictates most business growth. The chart correlates regional population in the NWT to regional businesses. As shown in Chart 11.2, there is a 98% correlation between regional populations and the number of regional businesses. This highlights the importance of linkages within regional economies, as well as the reliance of businesses on people. Many businesses, especially those in personal services, are directly related to population.

CHART 11.2: POPULATION AND RETAIL

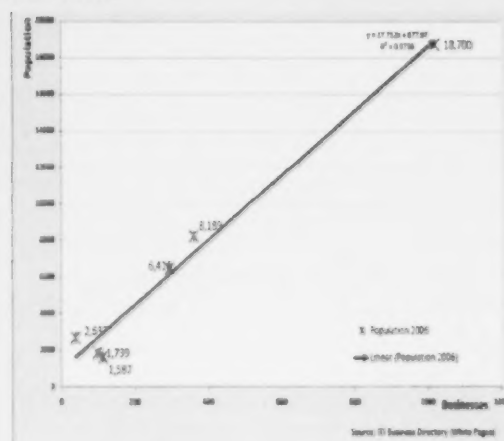


TABLE 11.2: RETAIL SALES
SOURCE: STATISTICS CANADA

Region	2004 (\$ millions)	2005 (\$ millions)	2006 (\$ millions)	2007 (\$ millions)	2008 (\$ millions)	2008 Population ('000 people)	Per Capita Retail Sales	Growth over 5 of years	Average 5 Year Rate Growth
Canada	346,722	366,171	389,485	412,037	426,034	33,311	12,789	0.23	5%
Newfoundland & Labrador	5,756	5,826	6,026	6,567	7,063	508	13,906	0.23	5%
Prince Edward Island	1,385	1,424	1,512	1,629	1,721	140	12,308	0.24	5%
Nova Scotia	10,297	10,527	11,163	11,636	12,129	938	12,927	0.18	4%
New Brunswick	7,963	8,326	8,814	9,318	9,872	747	13,211	0.24	5%
Quebec	78,518	82,533	86,709	90,663	95,321	7,751	12,299	0.21	4%
Ontario	129,086	135,321	140,808	146,252	151,376	12,929	11,708	0.17	3%
Manitoba	11,692	12,381	12,870	14,008	15,017	1,208	12,431	0.28	6%
Saskatchewan	10,259	10,796	11,495	12,984	14,360	1,016	14,133	0.40	8%
Alberta	43,372	48,493	55,942	61,160	61,069	3,585	17,034	0.41	8%
British Columbia	47,217	49,286	52,837	56,365	56,562	4,382	12,909	0.20	4%
Yukon Territory	414	434	451	500	530	33	16,012	0.28	6%
Northwest Territories	532	575	600	679	708	43	16,344	0.33	7%
Nunavut	233	249	260	275	307	31	9,761	0.31	6%

Note: North American Industry Classification System (NAICS), 2002.

Source: Statistics Canada, CANSIM, table 080-0014 and Catalogue no. 63-005-X.

Last modified: 2009-07-22.

Retail sales have shown relatively strong growth compared to other provinces, even though the population has remained static. This likely reflects growing incomes in the NWT, and a displacement of imports from southern Canada. NWT had the second highest retail sales per capita in Canada in 2008, with Alberta leading the way.

TABLE 11.3: CAPITAL EXPENDITURES (\$ MILLIONS)
SOURCE: STATISTICS CANADA

Industry/Sector	2005	2006	2007	2008	2009 Intentions	Growth last year	% Change
N.W.T.	1469.4	1848.3	1994.8	1799.6	1215.3	-584.3	-32%
Agriculture, forestry, fishing and hunting	0.6	0.7	0.8	x	0.9	x	x
Mining and oil and gas extraction	1042	1443.3	1469	1323.2	721.9	-601.3	-45%
Utilities	26.8	26.7	30.6	29.3	31.8	2.5	9%
Construction	3.6	5.9	15.5	16.7	16.8	0.1	1%
Manufacturing	x	1.7	0.8	1.6	1.7	0.1	6%
Wholesale trade	2.3	5	8.4	3.9	6.2	2.3	59%
Retail trade	10.1	10.1	11.7	15	16.5	1.5	10%
Transportation and warehousing	76	83.4	150.6	131.7	91.6	-40.1	-30%
Information and cultural industries	24.9	22	24	18.5	17.4	-1.1	-6%
Finance and insurance	7.6	8.3	11	7.5	10.1	2.6	35%
Real estate and rental and leasing	26.8	37	40.9	34.1	22.8	-11.3	-33%
Professional, scientific and technical services	6.5	2.6	3.3	5.3	3.5	-1.8	-34%
Administrative and support, waste management	4.6	5.2	3.1	3.8	3.1	-0.7	-18%
Educational services	9.3	16.4	28.6	25.8	62.1	36.3	141%
Health care and social assistance	11.4	7.1	12.9	9.7	15.5	5.8	60%
Arts, entertainment and recreation	x	x	0.3	0.6	1.4	0.8	133%
Accommodation and food services	12.7	14.9	13.4	10.4	11.2	0.8	8%
Other services (except public administration)	1.8	1	1	1.4	1.3	-0.1	-7%
Public administration	112.7	90.7	102.6	111.8	123.1	11.3	10%
Housing	87.2	63.8	65.5	47.5	55.7	8.2	17%

Investment represents future potential, as well as business perceptions of the economy. If businesses see a lot of potential growth, they will invest in new equipment or physical expansion. As shown in Table 11.3, investment intentions for 2009 are down significantly from 2008 - close to \$600 million. Most

of this decline was associated with the mining industry and industries dependent upon mining and mineral development. Retail trade is showing a slow growth, \$1.5 million over the past year. This is very small compared to the previous year when it grew by almost \$4 million.

12. WHOLESALE

Wholesale businesses are a major employer and contributor to the NWT's economic growth. Over the past decade, growth in industry sales has been rapid, and has kept pace with resource development.

The industry is diverse, and includes businesses like fuel suppliers, hardware suppliers, office equipment, industrial supply, food wholesalers, and vehicle sales.

While sales roughly equal retail trade, employment in wholesale is only half that of retail. This is because wholesale businesses typically work in higher volumes, with fewer individual clients.

Wholesale Trade's Contribution to the Economy

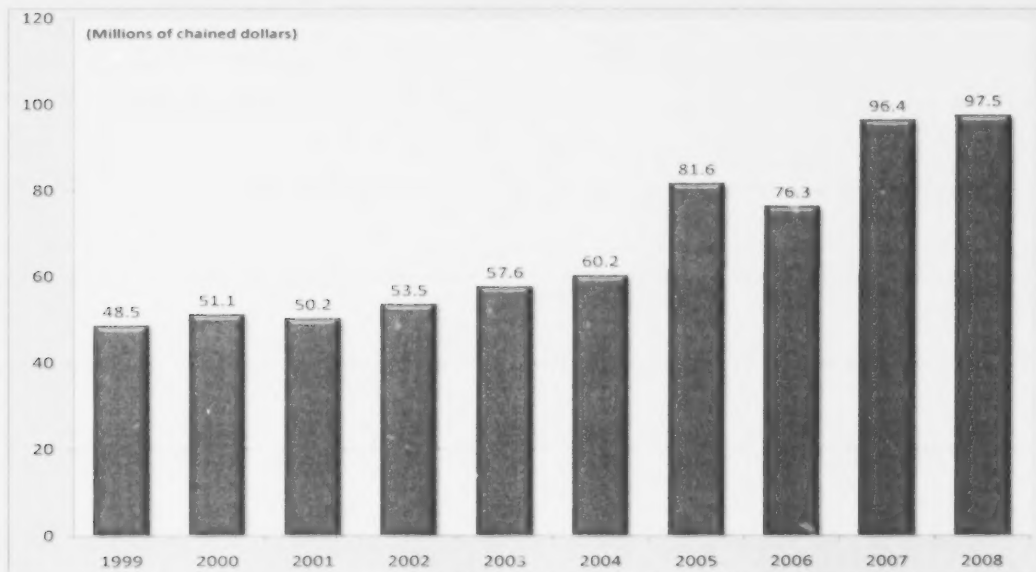
Wholesale trade is a relatively diverse industry. Many wholesale businesses in the NWT tend to be closely associated with investment and industrial development, for example, supplying equipment to mines and exploration sites. Others provide goods to service and retail/service businesses, which are more dependent upon population, incomes and tourism. Chart 12.1 plots wholesale trade as measured within the GDP (Actual sales exceed \$660 million).

In 1999 the wholesale industry contributed \$49 million to the GDP; its contribution has since doubled to \$97.5 million in 2008. The overall GDP contribution of the industry has remained at 2%.

The wholesale industry has kept pace with overall economic growth, indicating a close linkage with mineral development, operations and construction.

There was a significant increase in industry activity over 2004, a period which coincides with major investments in the Diavik diamond mine and the De Beers Snap Lake property. In response to growing industrial demand and investment, there were significant investments by the industry, especially over 2001 and 2007; recent investments are highlighted on Chart 12.3.

CHART 12.1: WHOLESALE TRADE GDP NWT BUREAU OF STATISTICS



Wholesale Trade Operating Statistics

Financial information on NWT wholesale business is limited. Community or regional information is even more limited, as is detail beyond the basic industry level. There are no financial breakdowns by business size or regional location. However, it is possible to compare overall NWT industry financial data with other provinces or territories. Table 12.1 compares NWT wholesale business financial data to selected jurisdictions..

Gross margin or gross profit can be defined as the amount of revenue or sales left to the business after

paying direct-fixed and direct-variable costs required to cover overhead (fixed commitments) and provide a buffer for unknown expenses. As shown in Table 12.1, gross margins for NWT companies are similar to the Yukon, but higher than most other jurisdictions.

Overall operating revenues, or sales, are almost equal to Prince Edward Island, which has 139,000 residents.

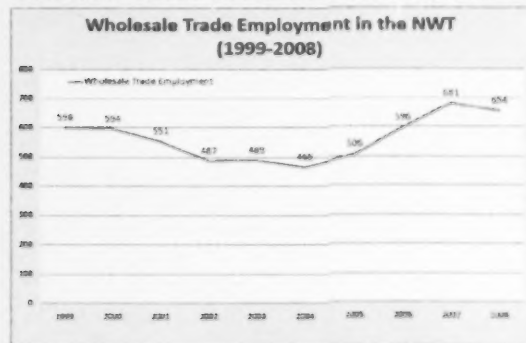
In general, operating expenses for wholesalers in the NWT are higher than other provinces or territories. This is somewhat offset by having higher margins on sales.

TABLE 12.1: NWT WHOLESALE COMPARISON TO OTHER PROVINCES (\$'000, FOR YEAR 2007)

	Operating revenues	Operating expenses	Cost of goods sold	Gross margin
NWT	625,692	120,142	473,385E	24.3
Yukon	195,042	29,601	151,333	22.4
PEI	633,333	101,246	517,018	18.4
Alberta	139,321,118	12,455,771	121,637,971	12.7
Saskatchewan	20,974,389	2,875,378	17,313,743	17.5
BC	58,357,599	9,228,047	46,936,078	19.6
NL	3,994,214	509,654	3,339,688	16.4

Source: Statistics Canada, CANSIM, table 081-0005.
Last modified: 2009-04-06.

CHART 12.2: WHOLESALE TRADE EMPLOYMENT



Wholesale business employment, as plotted in Chart 12.2, has remained between 450 and 700 employees since 1999, with both sales and employment increasing in recent years.

Overall employment in the industry is influenced by population and industry scale. For example, wholesale grocery sales are likely impacted by population change, incomes, camp employment (which includes non-resident) and tourism.

TABLE 12.2: WHOLESALE TRADE SALES (\$ MILLIONS)

SOURCE: STATISTICS CANADA,

	2004	2005	2006	2007	2008	(2008-2004)	% Growth	GDP in 2008	Wholesale % of GDP
Canada	442,880	467,470	490,856	517,776	532,487	89,607	20%	1,602,474	6%
Newfoundland and Labrador	2,285	2,405	2,596	2,973	3,177	892	39%	31,458	3%
Prince Edward Island	592	545	449	478	475	(117)	-20%	4,716	-2%
Nova Scotia	6,456	6,642	6,583	6,749	7,107	650	10%	34,209	2%
New Brunswick	4,684	4,838	4,859	5,076	5,354	670	14%	27,288	2%
Quebec	84,488	89,193	91,973	96,763	100,010	15,522	18%	301,479	5%
Ontario	235,403	242,634	251,943	262,523	259,947	24,544	10%	587,905	4%
Manitoba	10,059	10,765	11,272	12,604	13,669	3,610	36%	50,886	7%
Saskatchewan	11,039	12,073	12,106	14,480	20,372	9,333	85%	64,323	15%
Alberta	44,966	52,266	59,073	61,725	68,664	23,698	53%	291,662	8%
British Columbia	42,365	45,447	49,328	53,548	52,857	10,492	25%	199,214	5%
Yukon	78	92	118	140	146	68	88%	2,000	3%
Northwest Territories	440	545	533	667	639	199	45%	5,419	4%
Nunavut	27	25	23	51	71	44	164%	1,497	3%

Note: North American Industry Classification System (NAICS), 2002. Unadjusted \$ millions

Source: Statistics Canada, CANSIM, table 081-0007 and Catalogue no. 63-008-X.

Last modified: 2009-07-20.

In 2008 NWT wholesale sales were 45% higher than in 2004, compared to the Canadian overall growth of 20% during that same period. The small decrease in sales in 2008, 4% from 2007, can likely be attributed to the slowdown in the mining industry in the NWT. As a percentage of GDP, wholesale trade in the NWT is 4%. While Yukon Territory has Canada's second fastest growth in wholesale revenues, sales in the NWT are still more than 4 times higher than the Yukon.

Investment represents future potential as well as business perceptions of the economy. If businesses

see a lot of potential growth, they will invest in new equipment or physical expansion. As shown in Table 12.3, investment intentions for 2009 are down significantly from 2008 - close to \$600 million. Most of this decline was associated with the mining industry and industries dependent upon mining and mineral development. Overall investment intentions by mining companies are down \$800 million while transportation is down 31%.

TABLE 12.3: CAPITAL EXPENDITURES (\$ MILLIONS)

SOURCE: STATISTICS CANADA

Industry/Sector	2005	2006	2007	2008	2009 Intentions	Growth last year	% Change
N.W.T.	1469.4	1848.3	1994.8	1799.6	1215.3	-584.3	-32%
Agriculture, forestry, fishing and hunting	0.6	0.7	0.8	x	0.9	x	x
Mining and oil and gas extraction	1042	1443.3	1469	1323.2	721.9	-601.3	-45%
Utilities	26.8	26.7	30.6	29.3	31.8	2.5	9%
Construction	3.6	5.9	15.5	16.7	16.8	0.1	1%
Manufacturing	x	1.7	0.8	1.6	1.7	0.1	6%
Wholesale trade	2.3	5	8.4	3.9	6.2	2.3	59%
Retail trade	10.1	10.1	11.7	15	16.5	1.5	10%
Transportation and warehousing	76	83.4	150.6	131.7	91.6	-40.1	-30%
Information and cultural industries	24.9	22	24	18.5	17.4	-1.1	-6%
Finance and insurance	7.6	8.3	11	7.5	10.1	2.6	35%
Real estate and rental and leasing	26.8	37	40.9	34.1	22.8	-11.3	-33%
Professional, scientific and technical services	6.5	2.6	3.3	5.3	3.5	-1.8	-34%
Administrative and support, waste management	4.6	5.2	3.1	3.8	3.1	-0.7	-18%
Educational services	9.3	16.4	28.6	25.8	62.1	36.3	141%
Health care and social assistance	11.4	7.1	12.9	9.7	15.5	5.8	60%
Arts, entertainment and recreation	x	x	0.3	0.6	1.4	0.8	133%
Accommodation and food services	12.7	14.9	13.4	10.4	11.2	0.8	8%
Other services (except public administration)	1.8	1	1	1.4	1.3	-0.1	-7%
Public administration	112.7	90.7	102.6	111.8	123.1	11.3	10%
Housing	87.2	63.8	65.5	47.5	55.7	8.2	17%

13. ENERGY

In October 2008, the GNWT released the Energy Priorities Framework. The framework identifies a wide range of actions and initiatives in achieving the GNWT's energy goals and priorities. The primary goals of the GNWT are to minimize our reliance on imported fossil fuels and decrease the cost of living in NWT communities. \$60 million has been committed for the coming years for these initiatives and will cover all communities across the NWT.

Energy Resources in the NWT

The energy resources of the NWT are largely untapped and provide the NWT with a strategic resource to support future economic development.

The NWT has an abundance of energy resources. In petroleum supply, there are 1.2 billion barrels of recoverable oil and up to 6.9 billion barrels of ultimate recoverable oil reserves and 16.2 trillion cubic feet (tcf) of recoverable natural gas and up to 81.2 tcf of ultimate recoverable natural gas reserves.

On the renewable side, with over 11,000 megawatts of hydroelectric potential, our northern rivers could be a source of clean, sustainable energy. In addition, there is also potential for the development of other renewable energy alternatives including the establishment of wind, biomass and geothermal energy. Displacing imported diesel is a key long-term objective in the Northwest Territories.

Energy Resources in the NWT

The NWT is served by three electrical utilities. The Northwest Territories Power Corporation (NTPC), Northlands Utilities Ltd. (NWT) and Northlands Utilities Ltd. (YK). NTPC is owned by the GNWT and provides nearly all electricity generation in the territory and distributes power to 45% of the population. The two NUL companies distribute power to 55% of the population located in eight communities but generates very little electricity on their own.

Currently, electricity in the NWT is generated in one of three ways - hydro, diesel fuel or natural gas. Eight communities rely on hydro power for electricity, 23 communities rely on diesel for electricity generation and two depend on natural gas.



THE DRAFT NWT HYDRO STRATEGY

In the October 2008 session of the Legislative Assembly, Minister Bob McLeod, Chair of the Ministerial Energy Coordinating Committee (MECC), tabled the Draft NWT Hydro Strategy.

The NWT has some of the best undeveloped hydroelectric resources in Canada. The growing impacts of fossil-fuel use on the environment - and the pressure of rising prices - continue to underscore the importance of developing these resources.

Hydro facilities can provide clean energy for 100 years or more, but developing them will require a great deal of time, effort and capital investment. If future generations are to benefit from hydro development, the NWT requires a concerted, long-term approach, guided by a vision and principles that reflect the values of NWT residents. Based on this, the GNWT developed a hydro strategy for the NWT that would guide future hydro development.

The development of NWT hydro potential presents many challenges. The draft Hydro Strategy is aimed at addressing these challenges in the following four key strategic areas:

- Preparing for Hydro Development;
- Protecting Our Environment;
- Financing Future Hydroelectric Projects; and
- Policy Initiatives.

Under each of the strategic areas are actions that will ensure the GNWT is best prepared to proceed with any future hydro development.

The Northwest Territories Hydro Corporation and its subsidiary, the Northwest Territories Energy Corporation (03), were established by the GNWT to undertake primary responsibility for delivering the actions identified in the draft Strategy. In turn, the GNWT will continue to work with NT Hydro to ensure that GNWT policy, planning, and programs are aligned with the strategies and the actions described.

GNWT support includes the development of policies and regulations that promote the use of hydro power; monitoring hydro-related developments and initiatives in other jurisdictions; engaging the support of federal and Aboriginal governments; and promoting NWT hydro issues at the inter-provincial, national and international levels. As well, the GNWT provides the funding for the actions and strategies outlined within the draft Strategy.

The draft Hydro Strategy has been sent to key stakeholders including electricity utility companies, Aboriginal governments, municipal governments and non-governmental organizations for their review and an opportunity for them to provide feedback. Once responses have been obtained, they will be reviewed and a final NWT Hydro Strategy will be developed and released by the summer of 2010.

NWT Hydro Capacity

Currently, the NWT has seven hydroelectric facilities that produced 350 megawatt-hours of hydroelectricity in 2008. The Bluefish site located just north of Yellowknife produced 50 megawatt-hours of hydroelectricity, and the Taltson Twin Gorges facility

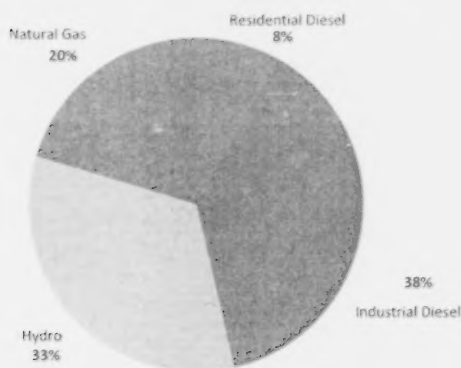
produced 89 megawatt-hours of hydroelectricity. The remaining five facilities generated 211 megawatt-hours and are all situated along the Snare River system just north of Great Slave Lake.

TABLE 13.1: NWT HYDRO POTENTIAL BY SELECT RIVER
SOURCE: DRAFT NWT HYDRO STRATEGY

River	Developed (MW)	Undeveloped Potential (MW)	Proposed Development (MW)
Bear	-	568	126
La Martre	-	27	1
Lockhart	-	269	-
Mackenzie	-	10,450	-
Snare	30	33	13
Snowdrift	-	1	1
Taltson	18	172	35
Yellowknife	7	-	-
TOTAL	55	11,520	176

Note of interest: The primary difference between a megawatt and a megawatt-hour is that "megawatt" measures the capacity of an electric generator and "megawatt-hour" measures the actual amount of electricity it produces over a certain period of time.

CHART 13.1: 2007/2008 ELECTRICAL GENERATION PERCENTAGE BREAKDOWN SOURCE: NWT BUREAU OF STATISTICS - MARCH, 2009



Not including industrial electricity production, two-thirds of NWT residents' electricity comes from hydroelectricity.

The remaining one-third of electricity for NWT residents comes from internal combustion either from diesel or natural gas.

When industrial electricity production is included, the total percentage of hydro production in the NWT decreases to 33%, as the diamond mines and Norman Wells oil field produce more electricity than all NWT utility production combined.

TABLE 13.2: COMMUNITY RESIDENTIAL AND COMMERCIAL ELECTRICITY RATES SOURCE: THE ARCTIC ENERGY ALLIANCE, MAY 2009
(NOTE: RATES INCLUDE ALL RIDERS AND TAXES. COMMERCIAL RATES WITH TWO RATES ARE FOR CUSTOMERS THAT USE BELOW/ABOVE 200 KWH OF ELECTRICITY)

Community	Residential Rate	Commercial Rate	Community	Residential Rate	Commercial Rate
Aklavik	\$0.68	\$0.65	Jean Marie River	\$1.56	\$2.11
Behchokò	\$0.26	\$0.32	Kakisa	\$1.05	\$0.94/\$0.77
Colville Lake	\$2.42	\$2.10	Łutselk'e	\$0.82	\$0.77
Délı̄ne	\$0.87	\$0.82	Nahanni Butte	\$1.75	\$2.25
Detah	\$0.29	\$0.36	Norman Wells	\$0.47	\$0.43
Enterprise	\$0.27	\$0.24/\$0.20	Paulatuk	\$1.29	\$1.22
Fort Good Hope	\$0.76	\$0.67	Sachs Harbour	\$1.60	\$1.50
Fort Liard	\$0.82	\$0.74	Trout Lake	\$1.05	\$1.00/\$0.76
Fort McPherson	\$0.86	\$0.78	Tsiigehtchic	\$1.18	\$1.05
Fort Providence	\$0.57	\$0.52/\$0.48	Tuktoyaktuk	\$0.74	\$0.66
Fort Resolution	\$0.22	\$0.19	Tulita	\$0.94	\$1.91
Fort Simpson	\$0.77	\$0.68	Ullukhaktok	\$0.74	\$0.67
Fort Smith	\$0.17	\$0.14	Wekweètì	\$1.35	\$1.18/\$1.02
Gamètì	\$1.36	\$1.57	Whatì	\$0.89	\$0.82
Hay River	\$0.27	\$0.24/\$0.20	Wrigley	\$1.45	\$1.55
Hay River Reserve	\$0.27	\$0.24/\$0.20	Yellowknife	\$0.24	\$0.19
Inuvik	\$0.63	\$0.56			

TABLE 13.3: SELECT COMMUNITY FUEL PRICES BY TYPE
SOURCE: INDUSTRY, TOURISM AND INVESTMENT, ENERGY PLANNING DIVISION, FUEL PRICE PHONE SURVEY JUNE 2009

Location	Gasoline (\$/L)	Motive Diesel (\$/L)	Natural Gas (\$/GJ)	Heating Oil (\$/L)	Residential Propane (\$/L)
Yellowknife	\$1.21	\$1.01	N/A	\$0.86	\$0.76
Hay River	\$1.16	\$0.99	N/A	\$0.77	\$0.63
Norman Wells	\$1.43	\$0.13	14	\$0.91	N/A
Inuvik	\$1.37	\$1.18	20.6	N/A	N/A
Fort Smith	\$1.23	\$1.06	N/A	\$0.85	N/A
Fort Simpson	\$1.15	\$1.12	N/A	\$0.92	\$0.70

CHAPTER 3

EMPLOYMENT

The NWT has created significant, high paying, employment over the past decade. However, most employment has been directly or indirectly associated with mine development, or public sector growth. Businesses where sales are linked with population have not kept pace.

The NWT has created over 8,400 new jobs since 1999; quite an accomplishment considering over 2,000 jobs were lost with the closure of Yellowknife's two gold mines in 2003. This averages out to about 5% per year. These estimates provide a reliable indicator of demand for labour in the NWT, however, since they are collected from businesses, the totals include resident and non-resident workers.

The major sources of employment growth have been construction, mining, transportation and public administration. In general, these tend to be high paying,

skilled jobs. Support industries like retail trade and services have been constrained by a lack of population growth.

Within the private sector, transportation employment has grown significantly, reflecting the size and location of the three diamond mines. With their opening, Yellowknife has become a major transshipment hub into the Slave Geological province. The volume of ice road trips has grown from under 2,000 to over 10,000 loads during peak seasons.

CHART 3.1: EMPLOYMENT CHANGES BETWEEN 1999 AND 2009

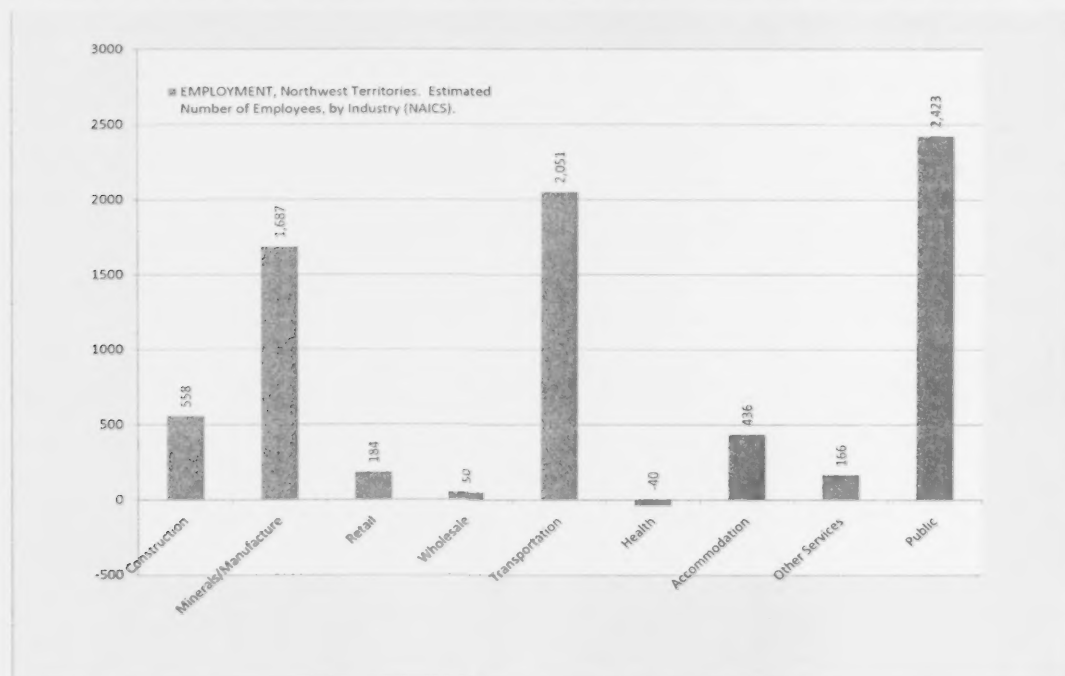


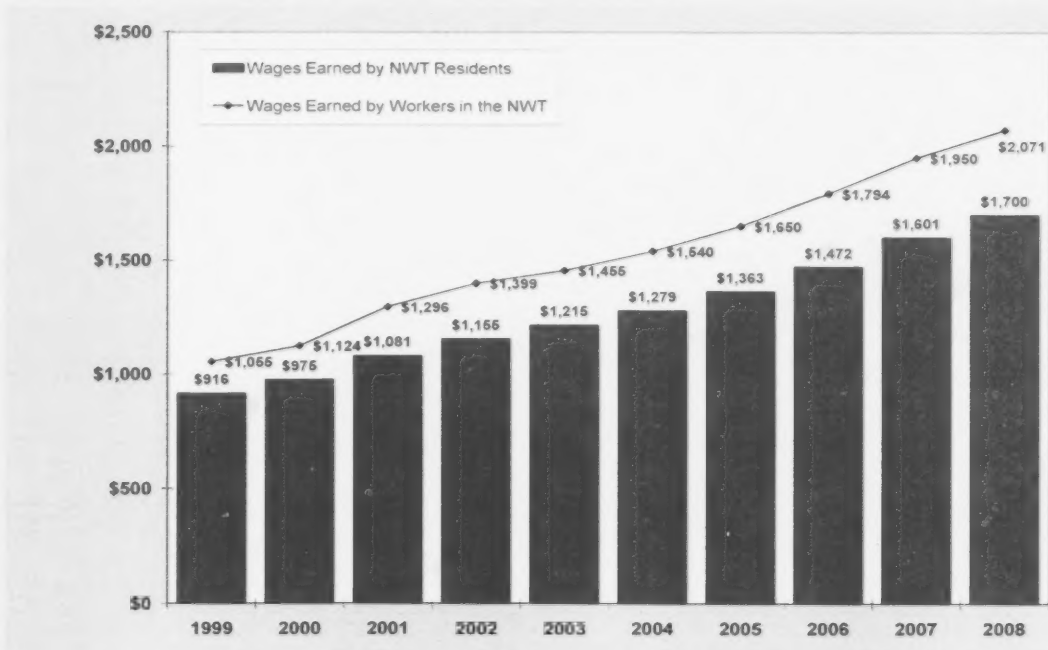
Chart 3.2 compares resident labour income to reported corporate wages. As shown, over \$370 million is being paid to employees outside the NWT. While this is a significant loss, the percentage has remained fairly constant since 2003.

The reliance on rotation employment is linked to a number of factors, including record levels of mineral investment. The NWT has a relatively small labour force spread over a huge area. A relative shortage of labour in the NWT, coupled with a lack of housing and limited connections between regions, forces many employers to

rely on rotational workers from southern Canada. This includes specialized oil and gas workers, trades, medical staff and other professionals. Overall development is further complicated because it is significantly less expensive to fly from Edmonton to Yellowknife, than to relocate from another region of the NWT.

With investment slowing over the next five years (depending on the Mackenzie Gas Project,) we expect reliance on southern workers to decline.

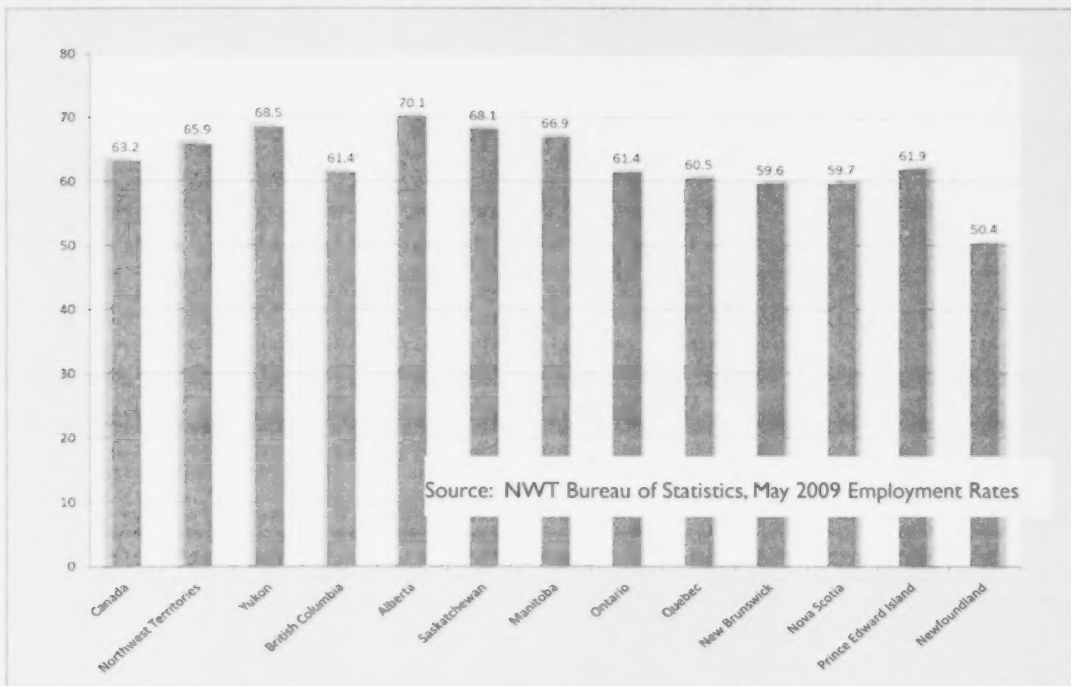
CHART 3.2: RESIDENT INCOME COMPARED TO TOTAL SALARIES/ WAGES (MILLIONS OF CURRENT DOLLARS)



EMPLOYMENT RATES

Employment and unemployment indicators remain positive for the NWT despite the recent economic downturn in commodities. The recent downturn will allow time for the economy and labour force to adjust.

CHART 3.3: EMPLOYMENT RATES IN CANADA - MAY 2009



Yet, even with these challenges, employment rates in the NWT have remained consistently high. As shown above, employment rates in the NWT exceed the Canadian average, and most provinces.

Unemployment rates have consistently averaged around 6% or lower, well below the Canadian average of 8.7% in May, 2009.

While employment growth has been slowing over the past year, we can expect a continuing movement to replace migrant workers with NWT residents as the economy has time to adjust.

However, future employment growth will be linked to new investments in mining and exploration, as well as development of the Mackenzie Gas Project.

CHART 3.4: EMPLOYMENT IN THE NWT - MAY 2009

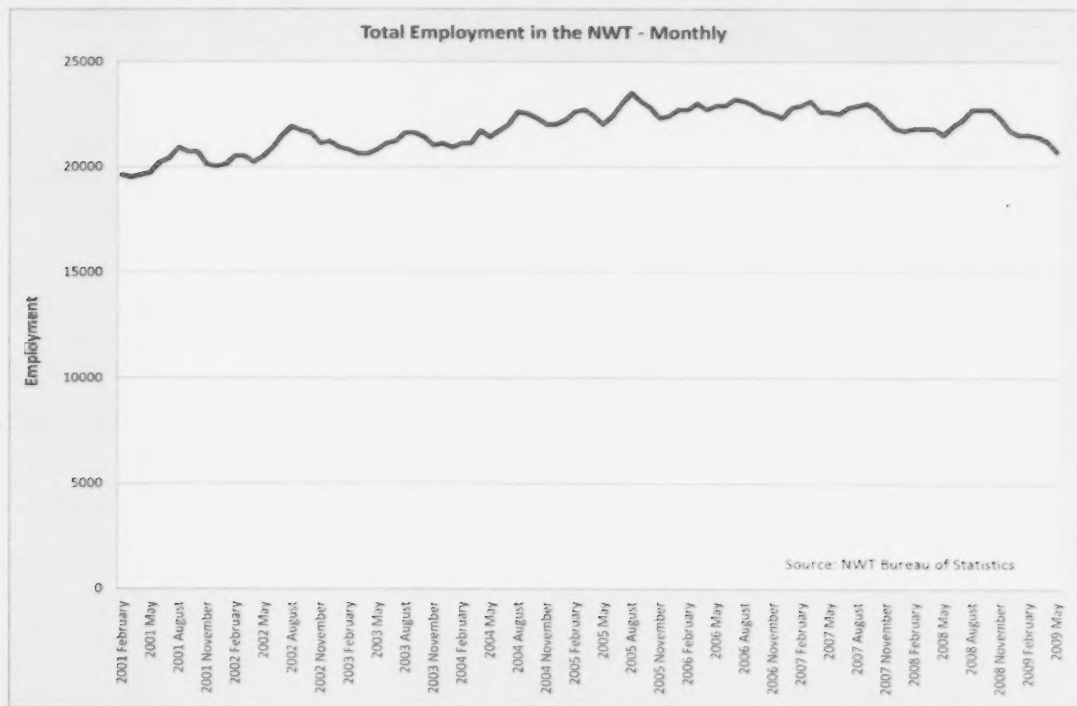


Chart 3.4 plots monthly employment of NWT residents since Statistics Canada started collecting this information in 2001. As shown, resident summer employment can increase by over 1,000 jobs. A lot of NWT employment in construction, shipping and forest fire fighting remains seasonal.

Overall employment has been declining since 2008, likely reflecting the downturn in exploration, cutbacks at the producing mines, and the postponement of oil and gas development.

CHAPTER 4

INFRASTRUCTURE

The NWT is a huge area, ranging from the border of Manitoba and Nunavut, to British Columbia and Yukon Territory. Communities stretch from Fort Smith in the south, to Ulukhaktok on the Arctic Ocean. Within its borders is a vast bank of riches, ranging from diamonds in the north to natural gas in the Beaufort Delta. Building and financing infrastructure is a major challenge.

Introduction

Transportation is critical to development and prosperity. All sectors of our economy are affected by accessibility to markets and the cost of supplies. Mining and exploration companies identify the lack of transportation infrastructure as a major impediment to investment in the NWT.

Infrastructure pervades modern society. We are surrounded with cell phones, cable, internet pages and satellite communications. All these services are available through "infrastructure development". Infrastructure also includes services like airports, housing, electrical lines, banking and other financial services.

Within economics, infrastructure involves a range of products including transportation, communications, pipelines, other utilities and housing. This summary will look at five:

1. The NWT Highway System, including winter roads;
2. The Mackenzie Rail and Marine Systems whose hub is located in Hay River;
3. Air Transportation, including airports;
4. Gas and Oil Pipelines;
5. Housing; and
6. Communications, including Internet and Phone Systems.



HIGHWAYS

Building and maintaining a highway system in the NWT is expensive. Vast distances, small populations, harsh climate, challenging geography, and other factors all add significantly to cost. Despite these challenges, the NWT has been able to construct a significant highway system, supplemented by seasonal ice roads that allow access to even the most remote community or exploration camp.

The NWT has over 2,200 kilometres of highway. The first NWT road was the Canol, built during World War II to link the Alaska Highway with the Norman Wells oil fields. It closed on the NWT side shortly after construction because the war ended. The first permanent highway in the NWT was completed with the extension of the Mackenzie Highway from Alberta to Hay River in 1949. Since that time the Mackenzie highway system has been extended to include most communities in the South Slave, Liard and Yellowknife regions. Sections of the highway are subject to seasonal outages at river ferry crossings; please see Table 4.1.

The Dempster Highway system, which links Inuvik to the Alaska Highway in the Yukon, was completed in 1979 as a "road to resources" under Prime Minister John Diefenbaker. The Liard Highway, from Fort Simpson to B.C., was completed in 1983.

The current highway system, along with resource locations, is shown on map 4.1.

TABLE 4.1: FERRY SEASONAL SERVICE

Crossing	Spring Out of Service	Fall Out of Service
Providence	April 16 - May 14	None
Fort Simpson	April 17 - May 15	November 12 - 27
Ndulee (to Wrigley)	April 17 - May 18	October 27 - January 19
Fort McPherson (to Inuvik)	May 1 - May 30	October 21 - December 15
Tsiigehtchic (to Inuvik)	May 1 - June 4	October 18 - December 24

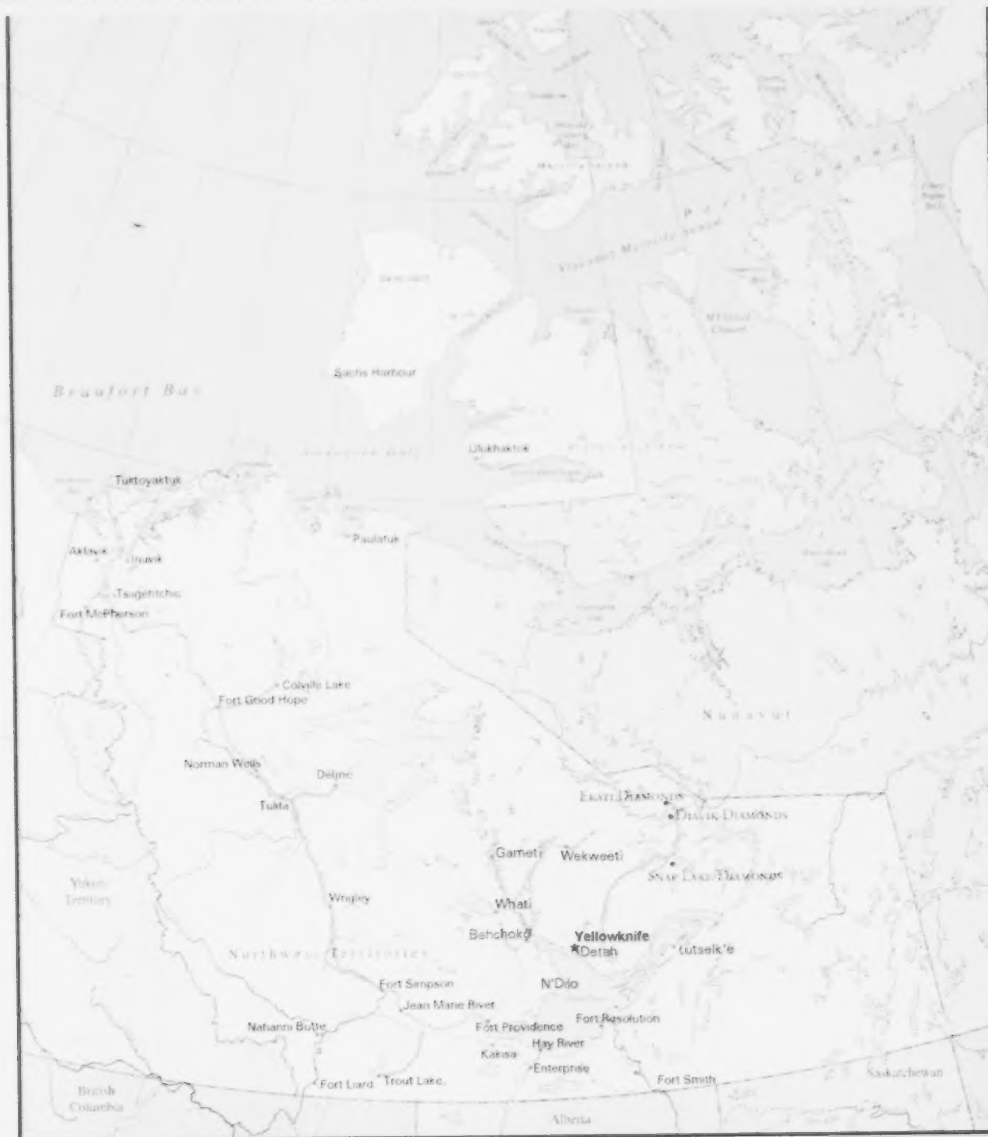
Winter Access Roads

Ice roads are used to great advantage in the NWT, to service remote communities, mines and exploration camps. The four major ice roads in the NWT are open to traffic for only 8-10 weeks each winter. With the exception of the "Lupin Mine Winter Road" to the diamond mines, which is privately constructed and operated, all are constructed and operated by the territorial Department of Transportation. The longest is the 480-kilometre Mackenzie Winter Road; ice roads are shown on the map as pink lines.

TABLE 4.2: ICE ROAD OPERATIONS (2007-08)

Ice Road Route	Open	Close	Operational
Mackenzie Winter Road	19-Jan	16-Mar	8 weeks
Inuvik to Tuktoyaktuk Winter Road	15-Jan	10-Mar	16 weeks
Rae Lakes Winter Road	10-Jan	21-Mar	10 weeks
Lupin Mine Winter Road	10-Jan	21-Mar	10 weeks

MAP 4.1: NWT ROAD NETWORK



MARINE AND RAIL

The NWT has the most northern Rail Portal in North America. This is complemented by an extensive route of marine barge routes including Hay River~Yellowknife 293 miles; Hay River~Mackenzie Delta 1,114 miles; Mackenzie Delta East~Taloyoak 1,135 miles; Mackenzie Delta~Point Hope Alaska 870 miles.

People and fur traders took advantage of the NWT's extensive river and lake system to build an extensive trading network. Many NWT communities grew around fur trading posts or Forts. They were commonly situated along traditional trade routes.

Today, the Northern Transportation Company Ltd. (NTCL) is the major marine operator in the NWT, linking the entire Mackenzie/Western Arctic regions with the northern railhead and the road system at Hay River. Cooper Barging operates a smaller, trucking-oriented service from Fort Simpson.

According to a Government of Canada Department of Transportation study, "NTCL operates the largest inland shipyard in Canada at Hay River... It has the capacity to load out 9,000 tonnes in a 24-hour period." Bulk fuel constitutes 75% of all current NTCL cargo. All barge fuel deliveries are loaded in Hay River from the rail system.

Canadian National's rail connection into Hay River is Canada's most northern rail connection. It runs 966 kilometres from Hay River to Alberta. The line handles over 33,000 rail cars a year, most of them containing fuel.

Both marine and rail operators will benefit significantly from development of the proposed Mackenzie Gas Project.



MAP 4.2: MARINE ROUTES



AIR TRANSPORTATION

The NWT air transportation is part of our history and reality. Almost every community has an airport, as do major mines and tourism lodges.

In a region with vast distances and limited road access, air transportation is critical. Most communities in the NWT have an airport, and unlike other parts of Canada, many planes carry a mix of freight and passengers. In fact, many outpost, tourism and exploration camps rely on the "bush plane".

While discussed in greater detail within the "Transportation Industry" section, air transportation companies face a number of added challenges, including:

- A small population base;
- Volatile swings in mineral investment/exploration;
- High fuel and maintenance costs;
- Harsh climatic conditions; and
- Cargo imbalances - lots going in, little going out.

The GNWT operates 27 airports and there are private airports at DeBeers, Ekati and Diavik mines, as well as at some lodges on Great Bear Lake and the East Arm of Great Slave Lake. Yellowknife is considered a "gateway" airport, while Inuvik and Norman Wells are regional hubs.

During the late 1990s, new low-cost and charter airlines entered the market. Many of these upstarts—because of their lower labor costs, simpler(point-to-point) operations and no-frills service—were able to profitably price much lower than the major airlines. These new entrants tapped into an entirely new and vast market for discretionary travel—families on a holiday, couples getting away for the weekend, college students visiting home—many of whom might otherwise have driven their cars or not travelled at all. It turned out (quite surprisingly to some at the time) that air travel was quite price elastic; with prices sufficiently low, people switched from driving to flying and demand from this segment surged.

Theory and Practise of Revenue Management, Harvard Business School

MAP 4.3: AIR CONNECTIONS



POLAR AND HIGH LATITUDE ROUTES

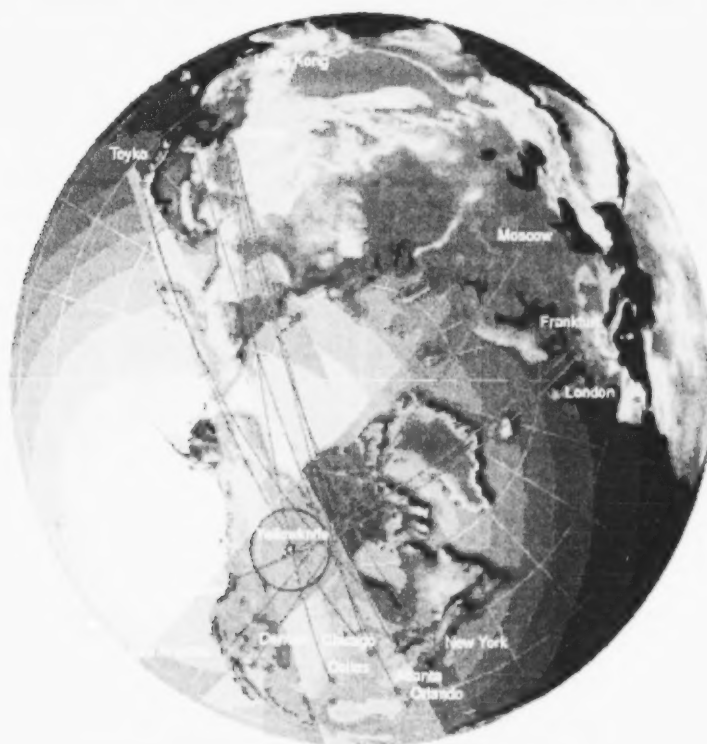
The NWT is strategically located between prime markets in North America and major European and Asian centres.

Routes over the north Pacific are high latitude routes. Flight paths over the Arctic between Western North America and Europe are called Polar routes. The map illustrates an overview of where high latitude and polar routes intersect over NWT airspace. Previously, the closed nature of the Russian and Chinese airspace made it very difficult for airlines to take advantage of these shorter, "over the top" connections to Asia and Northern Europe. The NWT may be able to take advantage of its strategic location to develop direct tourism opportunities with Asia and Europe.

Sample distances:

- Yellowknife to Frankfurt - 6,559 kilometers; Edmonton to Frankfurt - 7,316 kilometers
- Yellowknife to Seoul - 7,640 kilometers; Edmonton to Seoul - 8,363 kilometers.

MAP 4.4: POLAR AND HIGH LATITUDE ROUTES AND THE NWT



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MAP 4.4: POLAR AND HIGH LATITUDE ROUTES AND THE NWT



OIL AND GAS PIPELINES

Within economics, pipelines are considered infrastructure. Like roads or airports, their purpose is to move goods from one location to another. While there is a lot of focus on the proposed Mackenzie Valley project, there is already a fairly extensive system of six pipelines within the NWT.

Existing Pipelines

The major NWT pipeline is the 870 kilometre Mackenzie Valley - Zama Lake oil line (Enbridge). Built in 1985, this pipeline transported over 1 million cubic metres of oil in 2007.

Constructed in 2000, the Ikhil pipeline ships 17 million cubic metres of gas from wells 50 kilometres north of Inuvik. The natural gas is used locally for home and appliance heating, as well as electrical generation.

In the southern NWT, Paramount Resources has three pipelines.

- The 32.4-centimetre wide Shiha pipeline, which begins near Fort Liard, is 24 kilometres long and transported 5.2 million cubic metres of gas over 2007 to the existing pipeline grid in British Columbia.
- The 15-kilometre long Cameron Hills pipeline shipped 100 million cubic metres of natural gas from wells in the Cameron Hills (south of Hay River) to a processing plant near Bistcho Lake, Alberta.
- The Liard West pipeline transported 41 million cubic metres of gas from wells north of Fort Liard to the southern pipeline network.

Spectra Energy has a line starting approximately 30 kilometres west of Fort Liard.

Mackenzie Gas Project

The \$16.2 Mackenzie Gas Project proposes to move natural gas from the Mackenzie Delta to markets in Canada and the United States by a pipeline system. Without this infrastructure, significant natural gas deposits in the Beaufort Delta region have no access to market. The Project's economic and environmental impact are being reviewed by the Government of Canada.



HOUSING

Housing is in short supply in the NWT, and when available, is relatively expensive to maintain. However, this is also an opportunity for investment.

The housing market both reflects and impacts economic development. For example, tight housing market with high rents, might restrict migration to a growth centre like Yellowknife.

In other communities, the lack of land title might restrict access to mortgage funding, which is a basic tenant of real estate markets across Canada. Few people could afford to purchase a house without a mortgage.

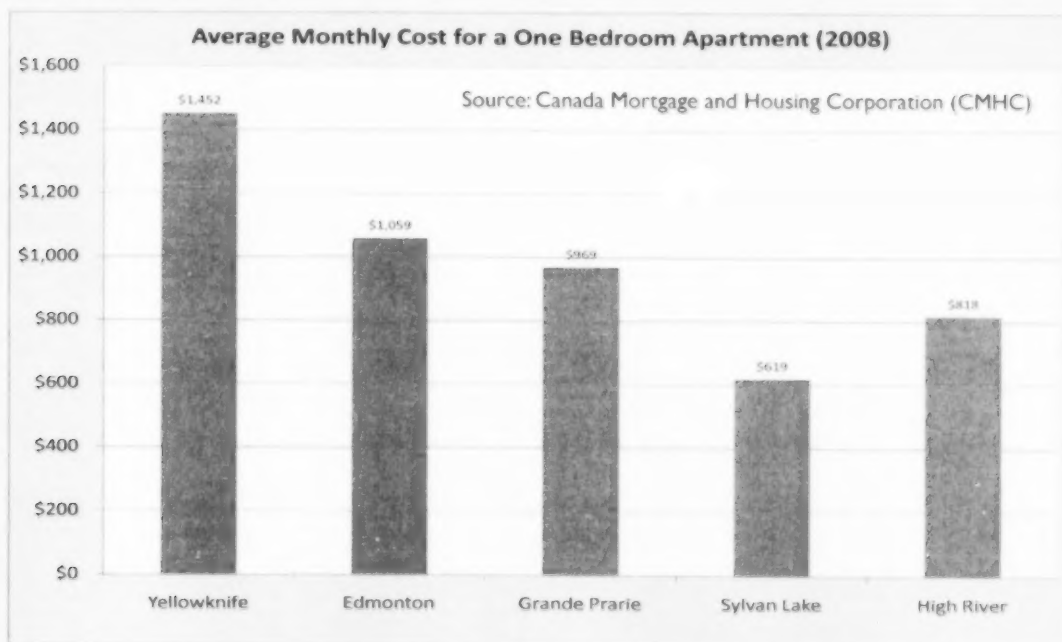
The Canada Mortgage and Housing Agency, or CMHC, is the major "mortgage insurer" in Canada. The agency

also maintains detailed market information on major centres, although data in the NWT is largely limited to Yellowknife.

As shown in Chart 4.1, average rental costs for a one bedroom apartment are almost 30% higher than in Edmonton. On top of this, tenants face potentially significant electrical and heating charges.

The shortage and cost of housing represents a challenge for development of the economy, and an opportunity for investment.

CHART 4.1: AVERAGE MONTHLY COST OF A ONE BEDROOM APARTMENT 2008



COMMUNICATIONS

Communications have evolved rapidly over the past decade. Cell phones and text messaging are common place at work and on the street. Newspapers are printed in colour, and are available in print or online. The Internet dominates communications and is essential to marketing, purchasing, training and staffing.

Newspapers

Newspapers have played a vital role in the NWT's development. Today there are seven major newspapers in the NWT:

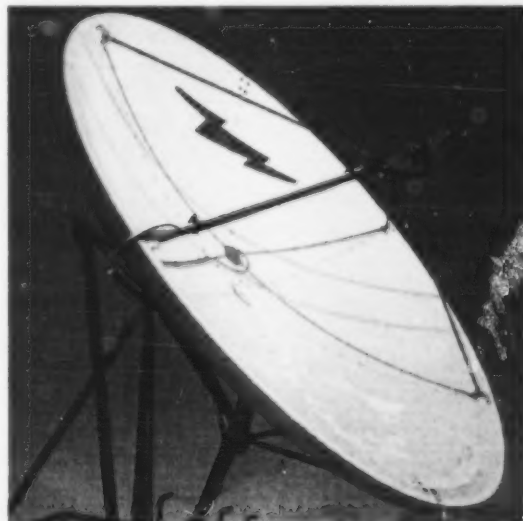
1. News/North NWT, established in 1945, serves the NWT and Nunavut. Staff members are based in Hay River, Inuvik, Fort Simpson and Yellowknife.
2. Hay River Hub has been operating since 1973.
3. The Slave River Journal serves the people of Fort Smith and Northern Alberta.
4. L'Aquilon – the NWT's only French language newspaper – was established in 1986.
5. The Yellowknifer was established in 1972 and is the only Northern paper published more than once a week.
6. Inuvik Drum was founded in 1966 and covers topics in Inuvik and other Delta communities.
7. Deh Cho Drum was established in 1994 and serves residents of Fort Simpson, Wrigley, Fort Liard, Kakisa, Trout Lake, Jean Marie River, Nahanni Butte and Fort Providence.

Telecommunications

Northwestel provides basic home and business phone services in the NWT. Cell phone service, which is becoming more widespread in southern Canada, is only available in Yellowknife, Hay River, Behchokö, Fort Smith, Fort Liard, Inuvik and Tuktoyaktuk. There are two providers, Ice Wireless and Bell Canada.

Last year, Northwestel signed a deal with the diamond mines to cost share construction of four microwave repeater towers between Yellowknife and the mine sites, as well as one tower at each mine. The microwave towers will replace satellite phone and Internet use by the mines. This service will benefit new mineral exploration and development.

Satellite telephones are available for rent or purchase, and can be used throughout the NWT.



INTERNET

The Internet holds huge promise for the NWT. It can address one of the NWT's major challenges, isolation. Businesses can conduct research, download tools, market their products, advertise or complete financial transactions. The Canadian Federation of Independent Businesses estimates that between 50 and 60% of all businesses in Canada rely on Internet access.

Internet development is a priority in the NWT. Over the last year, Falcon Communications and SSI Micro, the service provider, finished locating high speed satellite internet receiving stations in 30 communities. The project was partly funded by the Government of the NWT and Canada.

Residents and businesses, including those at remote camps, can also use Northwestel's Netkaster broadband satellite Internet service.

For businesses in the NWT the Internet offers some real advantages:

- It reduces the cost of communications;
- Provides access to world markets at reduced costs;
- Provides access to banking, tax and other financial services; and,
- Allows businesses to access new suppliers and services.